TRADE AS A SCIENCE

ERNEST J. P. BENN

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BY

ERNEST J. P. BENN

With Introductory Preface by the

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PREFACE.

"WHAT is to be the future of British Trade after the War?" The question is often asked, and by many with a note of anxiety in their tone. For it is realised by the great majority of thoughtful people that as soon as peace is declared and the war of big guns and massed millions closes, another kind of warfare will begin, in which our principal enemy will still be Germany.

In the days before 1914 we used to talk of a friendly rivalry of international commerce, in which each competitor wished the other well and rejoiced in his steadily increasing prosperity. It is to be feared that there was a good deal of conscious or unconscious self-deception in those smooth phrases, and no Briton, at any rate, is likely to be under any misapprehension now as to the real purposes of German industrial organisation and enterprise before the war. It was to knock Great Britain out of the world market and take her place. Germany made great strides towards her goal, especially in the neutral countries of the New

World, and she hopes to start again the instant that peace is declared with a more perfected organisation and a more intense application than ever before. The supreme question before Great Britain is how this challenge is to be met.

The title of Mr. Ernest J. P. Benn's little book supplies—at any rate, in part—the answer. The future of British industry depends fundamentally not so much upon questions of fiscal policy, though these are of obviously great importance, as upon the extent to which our manufacturers and traders regard trade as a science. Hitherto, it has not been so regarded. Mr. Benn, no doubt, rather overstates his case in certain particulars. If there had not been shining exceptions in many of our greatest industries, the British Trade Returns could never have scaled to the almost fabulous heights which they reached during the boom years before the war. But, speaking broadly, Mr. Benn's main premises are incontestable, and though the prosperity of Great Britain is based upon trade, there are few commercial countries where the dignity of trade has been held in less esteem, and few where trade has been less scientifically organised.

The main reason for the want of scientific organisation has been the intense individualism of the British trader. That is not wholly his fault. Until recent years, the theory of individualism was

accepted as gospel. It came from Manchester, and Lancashire represented practically all the staple industries of the country. Business success—and where was success to be found if not in Lancashire? —was based on an intense individualism and on the correlative theory that the less the State interfered with commerce the better. To-day no theory is more hopelessly discredited, and if there be a danger it is lest the sturdy virtues of individualism should suffer too severe a disparagement. But the altar of *laissez faire* is thrown down and the prophets are all busy giving a final kick to the fallen idol. Trade as a science is the order of the day; the talk is of educational reform; of association and co-operation; of enlightened State guidance and control.

Mr. Benn deals with all these matters very thoroughly and sincerely. He does not spare our past shortcomings, and he wields the lash as one who knows exactly the tenderest spot on which the stroke may fall. But he has ideals and he expounds them fearlessly, and his central theses—the necessity for a representative, scientific, and energetic association in each trade, which shall consider nothing but the trade's advancement, and the establishment of a real Ministry of Commerce which shall study and care for everything connected with production—are admirably developed. Like all stimulative books, it is also

provocative in places; but that the author is on the right lines, and that every trader, whether great or small, would do well to study the following pages, few who read will doubt.

BURNHAM.

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INTRODUCTORY.

"If shape it may be call'd, that shape had none."

ALL the world is to-day talking of trade, the newspapers are full of it, and the Allies are discussing it officially; the only person who is silent about it is the tradesman. Up to the present the position may be described as *Hamlet* without the Prince. Herein lies the excuse for this book. This is a book for tradesmen, in which term I include manufacturers, merchants, bankers, and all directly associated with trade. The subject is the organisation of trade in such a way that when politicians and parliaments come to deal with it they may have the means of discovering what it is and what it thinks. In order more clearly to define the exact purpose of these pages it may be convenient to state a few of the subjects usually associated with trade with which the present writer does *not* propose to deal. These subjects are all concerned with trade, and will all require to be sifted and judged, but before approaching a judgment upon them it is quite essential to decide which is the court having

jurisdiction, and it will indeed be found to be necessary to create a special bench or court for the purpose. This book, then, is not a treatise on political economy, nor does it touch on politics, as that term is commonly understood. The reader will not be troubled with any opinions on Free Trade or Protection, except to point out that these are matters for tradesmen rather than for Archbishops and Lord Mayors. The desirability or otherwise of capturing German Trade will not be here debated —although writing in the early part of 1916 it has been impossible to avoid an attitude of strong antagonism towards Germany—but an endeavour will be made to set up a machine which is capable of securing any trade that may be available. Neither is it intended to enter upon the difficult subject of the relations between Capital and Labour, except to point out that no progress can be made in this matter until the parties to the debate are put into a position from which discussion can commence. Similarly such subjects as Commercial Education, Industrial and Scientific Research, Banking, Finance, and Credit are not within the scope of this work. They will all be mentioned in the course of the argument for organisation, but no endeavour will be made to form an opinion upon them. In fact this little book makes no attempt to settle any of the most prominent trade questions at present in the public mind. It does what is really a much

more important and necessary, because a preliminary, thing, it provides the machinery which can be alone capable of working out a satisfactory settlement of any of them.

A discussion upon advanced mathematics which took place in the days before the invention of the multiplication table, would have been something like the present discussion of trade, when no means exist of discovering what views, if any, are held by trade itself.

The one purpose of the following chapters, then, is to discuss the subject of the *Organisation* of Trade, a subject worthy of the closest attention of every business man, and upon a proper understanding of which depends the future of our trade and indeed of our Empire.

Until trade is properly organised and given a corporate existence and a voice, it is obviously futile and even dangerous to discuss all these great problems which are so much in the foreground at the moment. When the business community has possessed itself of a voice of real authority, then a Ministry of Commerce or the relations of the State to business will be matters of comparative detail.

The following chapters may be roughly divided into three sections, the first of which attempts to sketch the present position, the second puts forward a tentative scheme for the organisation of a Ministry of Commerce and a system of official Trade

Associations, and the third describes in some detail the most important branches of work which await the attention of the trades of the nation.

Chapters I to VI give the author's impressions gathered during twenty-five years' intimate association with trade and traders. As a commercial journalist with fairly wide-spread interests, the writer has, perhaps, enjoyed exceptional opportunities for studying the characteristics and peculiarities of the British tradesman and the systems or lack of system under which our Commeree is carried on. These chapters are designed to show the need for reform, and they therefore adopt a critical and derogatory attitude, and emphasise that which is bad in our present methods. They are written for a purpose, and therefore concentrate the bad points, while omitting many good points that might be included; they are perfectly true so far as they go, but they do not represent the whole of the opinions of the author. No purpose would be served by including a lot of flattering material on the qualities of the British business man, but its omission does not mean that the writer is unaware of his excellences. The Second Section, Chapters VII, VIII, and IX, states the case for the Establishment of a Ministry of Commerce or a State Controller of Trade Associations, and gives a complete scheme for the working of such a Ministry and for a Model Association. This scheme is set out in great detail,

officers are named and their salaries suggested, and the exact duties which they would perform are described; the complete constitution of a Trade Association is given with exact particulars of committees and a full programme of work for each. It is, however, necessary to explain that I am not so enamoured of my detailed scheme in all or any of its particulars as to suppose that it will not be capable of considerable modification and amendment. I have ventured to be precise and definite, because so much that is written about trade is merely critical without being suggestive or constructive, and I therefore throw out my somewhat intricate and complicated scheme merely as a suggestion, that something in a concrete form may be on the *tapis* for criticism and discussion. If I succeed in enlarging the ideas generally accepted as to the possibilities of associated action in trade, I shall have sufficient reward for this effort.

The concluding chapters, which constitute the third section, each take a subject of vital importance to trade, and attempt to show how the scheme would work in connection with these matters.

They do not by any means exhaust the questions which are awaiting attention and settlement, but they indicate, perhaps sufficiently, one way, and as I think the best way, in which most trading difficulties can be overcome.

One further word of explanation is necessary.

There is in the public mind a considerable confusion of ideas about trade. Politicians are especially liable to misunderstanding on the matter. When they deal with railways, shipping, insurance, banking, weights and measures, bankruptcy laws, patents, trade marks, labour and various other general commercial questions, they assume that they are dealing with trade. These things, although of the utmost importance, are really only incidents in trade, by which term we in this book shall mean the *making* and *selling* of goods.

CHAPTER I.

THE PRESENT CHAOS AND DANGER.

THIS country has for centuries past enjoyed a position of unassailable pre-eminence in commerce, and has as a result become blinded to the possibility of failure. It now becomes the duty of every business man to face this possibility, to recognise that there are others in the field, and that nothing but the most strenuous endeavour will prevent them from occupying the position which hitherto has been ours. New conditions have arisen within the lifetime of most readers which must be faced; old methods and old ideas must be discarded.

The average commercial traveller will admit that, in the pursuit of his occupation in this country, he finds a certain magic force in the words "as before" or "as usual." Nine times out of ten the English business man will give a repeat order or follow some established practice without bestowing on the matter a second thought. If, on the other hand, he be approached with a new line, a novel scheme, or an innovation, then the commercial's

real work begins. He will need to argue and call and demonstrate over and over again before he can get the customer to move. The average business man is the embodiment of conservatism, and most of our trade is transacted upon lines laid down for us by our fathers.

There is a certain amount of method in this madness, and it is possible to trace a reason for it; but that reason is not a very creditable one. It is to be found in the fact that the average Englishman looks at trade from a wrong point of view. Trade to him is an unpleasant necessity, a means to an end, a thing to be done as quickly as possible, and to be forgotten and left at the earliest opportunity. Just as the workman thinks only of the extra penny an hour, so the master is mostly concerned with his hunting or his golf, or the legacies which he proposes to arrange. Business is merely a means to make money; it does not often occur to either the workman or the master that in producing a useful article he is helping along civilisation, adding to the well-being of mankind, improving the health or comfort of the nation, or making the world a better place as the result of his efforts. One result of this attitude of mind is that both business and manual labour are despised, and that as soon as a certain level in the social scale is attained, all traces of connection with trade are as far as possible eradicated. In attempting to deal with

the problem of British trade and its organisation and maintenance, this question of the attitude of mind of the average Englishman is of vital importance. The remedy for this evil must go deep; it involves a change in our whole outlook upon life; but a small measure of official recognition, such as will be suggested in a later chapter, would do not a little towards the establishment of a better state of things.

Dr. A Shadwell, in the *Edinburgh Review* for January, 1916, gives us a German view of the position of British trade:—

"The industrial prestige of Great Britain has been falling for many years, and has sunk very low in most foreign countries. We are generally regarded as 'played-out' and doomed to a gradual but hopeless decay ending in extinction. The Germans in particular have long been convinced of it, and this belief has a great deal to do with their contempt for us and the theory of their own destiny which inspires their military aims. They regard themselves as having already taken our pride of place in industry and as on the road to take it in commerce. The logical corollary is that they are destined to supersede the British Empire. So strong is the conviction of their own superiority that they believe we are conscious of it too. And this view provides them with an argument, which they consider unanswerable, for the popular theory

that we planned and got up the war. It is set out in innumerable pamphlets, and the motive put forward is the consciousness of our inability to compete in industry and commerce. Envious of German success and despairing of the capacity to cope with it peacefully, we are supposed to have invoked the aid of war by conspiring with our Allies for the overthrow of Germany in order to destroy her trade."

So much for general considerations—now let us get down rather closer to detail. If we assume the case, which to-day is extremely common, of the British business man who feels the necessity for extension and has the desire to do something to uphold the position of British Industry against foreign competition, what is the position of that man? In the first place he will find himself an individual against the world, he will have to deal not only with organised German and American competition, but with a much more difficult, because unknown, form of competition from his fellow-countrymen. If his ambition leads him to some new market he will have to bear all the burden and responsibility of experimenting with that market, he will have to form his own independent judgment on the worth of the enterprise and take unaided all its risks. He can, it is true, get a little official help, with great emphasis on the word "little." That help will generally take the form of

the opinion of some honorary British Vice-Consul, often of foreign nationality, an opinion which may be good, may be bad, but which, judged from the value in money set upon it by the nation, is in any case of very doubtful worth. The next problem that will trouble this enterprising tradesman is the labour question. Single-handed, alone and unaided, he must face the whole force of organised labour in his industry. The prospect of serving the British Empire by increasing the export to Chili will not, unfortunately, weigh with the Local Secretary of the Trade Union.

When all these risks and troubles have been studied and faced, there is yet another and a greater risk which makes the chances of our enterprising manufacturer extremely small. I am assuming that he has a well-established, typical, medium-sized English manufacturing business, the sort of house which does the bulk of the trade of this country, with cash resources of, say £25,000. The whole of his scheme for the extension of British trade will be crabbed and thwarted throughout its career by his financial limitations. In this matter he will get no help from anyone, and indeed there is no good reason why he should be helped. The enterprise is admittedly of a speculative character, and the speculator should, in any well-regulated system of finance, shoulder his own risks. Add to these considerations the fact that, of any three

new business enterprises, one succeeds and two fail, and the picture of the problems which beset the man who desires to increase British commerce is fairly complete.

But the story of the present chaos and the disabilities under which British business labours is only half told. There are problems ahead which are new to trade; prophets are not wanting who tell us that at the end of the present war we shall be faced with industrial revolution. Whether that gloomy view be justified or not, it is perfectly certain that many great problems are ahead of us. When peace arrives the world will be the poorer by many thousands of millions in money. The social, industrial and political situation of a couple of years ago, upon which pre-war business had its foundation, will be completely altered. In this way a set of new problems will have to be dealt with which can only be successfully handled by organisation. The whole of the combined wisdom of any industry will be none too great for the purpose.

One of the political problems included in the above group is already with us in the shape of a very violent agitation on the question of Free Trade or Protection. An undertaking has already been given that this book will not attempt to solve that knotty problem, so that the reader will be spared a repetition of the arguments which are now the stock-in-trade of the newspaper leader-

writer; but it is necessary to point out that this political agitation is going to have a very important effect upon commerce, and that, if it continues to be carried on upon present lines, trade or commerce will not be considered in the discussion at all.

The party politician must have what is called a "stunt." The man who goes into Parliament or becomes a Colonial Premier, or a Lord Mayor, is constantly upon the look-out for a subject by the use of which he can add to his popularity or promote some cause with which he is closely identified. At the moment of writing there are certain public men who feel that the present Government should be replaced or improved. In the pursuit of what may be, for all we are prepared to argue now, that very laudable idea, it becomes necessary for them to carry the public with them, and to achieve this they are constantly seeking for subjects which they think will arouse the public interest, and the exploitation of which may help in the greater object which they have in view. In the pursuit of this game any stunt is good enough. I need only mention a few recent prominent examples—"Form 4," the Insurance Act, the single slacker, the married man, the licensing restrictions, the air services, and now, if you please—trade. Politicians and newspapers by the score will take up trade, not because they have any real interest in it, but because they think it will help them in the much more important work of

embarrassing the Government. On the other hand, the Government, which knows but little about trade from the inside, will take up the arguments and oppose the suggested reforms because they have their origin on the Opposition Benches. In all this business the poor traders as a class will seldom be consulted. The biggest manufacturer, as such, will not stand a dog's chance in this political game against a Member of the House of Lords or a Lieut.-Colonel back from the front. The most obvious representative of commerce, the Limited Liability Company, has not even a vote which it can cast on the matter.

The nearest parallel which I can find to this remarkable situation is the education controversy of the last generation. The country then awakened to the necessity for education, much in the same way as it is now awakening to the necessity for trade. What happened in connection with education is very likely to happen in connection with trade. Anything in education that really mattered was seldom mentioned; the whole country was divided into camps over creeds, as if the only subject in the national education curriculum was dogma. From beginning to end of that great controversy one heard but little of the decimal system; the paramount question was whether the curate or the baptist minister should have right of entry. At this distance of time it is possible to look back upon

the controversy and measure its results. Great Britain to-day has a standard of elementary education which is not by any means ideal, and it is extremely doubtful whether the religious instruction, for which so much controversial blood was spilt, is much better.

Under these circumstances it is surely justifiable to ask, and ask with emphasis, that trade and party politics shall be divorced. The danger is that our commercial position may be sacrificed to considerations such as the welfare of political parties or even political persons. If, as may well be the case, alterations in our fiscal arrangements are necessary, then, for heaven's sake, let all those alterations be made as the result of the considered and expressed opinion of tradesmen and tradesmen first.

To sum up this chapter on chaos, it may be stated that the individual who sets out to promote British trade is badly handicapped by the lack of organisation and co-operation ; while, on the other hand, British trade as a whole is threatened with political and other dangers simply because it is an individualistic, inarticulate, unorganised mass which has not the opportunity or the ability to hold or express any opinions of its own.

CHAPTER II.

THE BRITISH BUSINESS MAN.

ALMOST the only civilised creature on earth who is not organised is the British business man, and in dealing with the problems of the organisation of trade it is as well to admit at the outset that the greatest difficulty in the road is the personality of the Briton. We have here in effect exactly the same problem as besets the politician in dealing with the middle classes generally. The average British trader is an independent person of pronounced individualistic tendencies, who has a constitutional aversion to the idea of "solidarity." He regards any closely articulated system with dislike and with mistrust. Clubs or unions may be very beneficial to the lower orders, but they are things which can be of no sort of use to him. Each business man is out to play his own little hand; he is seldom troubled, so far as his firm is concerned, with any ideas of patriotism; he lacks that "Fatherland" spirit which is so pronounced in the German; nay, except perhaps in the Liquor Traffic,

which calls itself "The Trade" *par excellence*, he is not even concerned with the welfare of his own trade as a whole, but confines his entire attention to the immediate problems of his particular establishment. The other men in his own line of business he can only see as competitors. When he gets into society after office hours, he is generally ashamed of his business; it is a recognised rule of society that to talk shop is bad form.

There is a certain amount of reason in this very absurd social condition. The fact is that, in most cases, shop is not worth talking about. We muddle through trade as we muddle through everything, and we seem incapable of feeling that pride in a well-conducted business which is so marked a characteristic of the American. The average Englishman has no experience of business except what he has picked up in his own little shop. He has very little confidence in the perfection of his own work, and consequently adapts his social customs to this extraordinary condition of affairs, and so it is enacted that shop shall be barred in society.

If the reader were to visit three restaurants, one in Chicago, one in Stuttgart, and a third in Birmingham, and get into the middle of three groups of business men so as to overhear their conversation, this is what he would find. In Chicago he would gain little information except about dollars; in

Stuttgart the talk would be about packing, transit, and freights; in Birmingham he would learn a lot about golf, semi-finals, and Lloyd George. The loss of what I regard as among the best of British characteristics would be in every way deplorable, but I fear that our national and personal attitude towards trade and business must undergo at least some modification if we are to succeed in the future. To the average Englishman business is undignified, it is even hopelessly entangled with sharp practice; it is no occupation for a man of intellect and liberal culture; it is monotonous drudgery; and above all, it is no life for a gentleman.

There is a story of a conversation between the scion of an aristocratic family fresh from a public school, and the General Manager of one of our leading railways. "Do you hunt?" said the boy. "No," replied the railway magnate. "Then you shoot?" "No, I am afraid not." "Oh, then, I suppose you fish?" "No, I regret to say I cannot even claim that accomplishment." "Well then," continued the youth, "if you do not mind my asking, what do you do with your time?" That story gives a fair representation of the attitude of some of the best of British brains towards business, but there are exceptions—exceptions which I fear only prove the rule. We have at least one or two trades which are respectable; an example is brewing, from which you arrive at the remarkable

conclusion that a gentleman may be a brewer, but not a baker.

This absurd attitude towards business is carried right through the whole of our national life. "For centuries," says Lord Rhondda, "we have made a fetish of the professions." The best brains that we have, those which have gone through the universities, all fly to the professions, and we mark our respect for this type of occupation by labelling it in society; the professional man is known in the drawing-room as well as in the city in connection with his work. The man who takes up the medicine trade is "Doctor" even on the tennis court. The Solicitor, the Architect, even the Accountant and the Stockbroker, find it no shame for the whole of their social circle to be thoroughly acquainted with their means of earning a living; but a Manufacturer, a Printer, an Electrician, or a Shipper will live for years in a respectable London suburb and take pride in the fact that three-quarters of his acquaintances are totally unaware of his commercial connection. So topsy-turvy is the world in this respect that, while the real producers, the men that keep the country going, are careful to hide their connection with work, the professional classes, whose existence is a sort of by-product of manufacturing activity, walk off with all the respectability.

This national stupidity with regard to the dignity

of trade is not the only personal or individual weakness which makes the British business man a difficult subject for organisation. The study of our attitude towards business may be carried a little further, and we may ruefully inquire whether the Englishman, even when engaged in trade, is actuated by the best motives and is inspired by the best ideas for the promotion of that trade. If the mind of the average business man could be analysed, a series of extraordinary misconceptions would be discovered. Business is a struggle, a fight, and every business man is fighting something, but still more somebody else. It may be that he is wrestling with science in order to improve his materials, or struggling with a debt or mortgage in order to strengthen his financial position, or fighting to enlarge his market and find new customers. But the analysis of his mind would disclose, nine times out of ten, the extraordinary fact that he did not regard any of these matters as the real fight. The full force of the fighting spirit within him is saved up for the man over the way whom he calls a competitor. Here is another reason which makes the Englishman a bad subject for organisation.

There is also a very common misunderstanding with regard to associations, and particularly trade associations. It is assumed that associations have a tendency to discourage individuality. This is

one of the most extraordinary misconceptions, probably based upon the developments of the association idea in connection with trade unions. As a matter of fact, there is no better means by which the business man can develop individual resourcefulness and self-reliance than by associating freely with men in the same line of business. As a people we are instinctively suspicious of any attempt to control individual effort. System imposed by rules and regulations is not an ideal which presents itself favourably to the average British business man.

This sketch of the British man of trade is a sketch of him as he was before the 4th August, 1914, but he is already becoming a very different man to-day. The discipline of war has prepared the way for the organisation of trade, and there is now every hope that a far better state of things from this point of view will exist in the future. It will be seen from some of the arguments used above that the lack of organisation is due to unwillingness to discuss, and that this unwillingness arises from a certain knowledge of imperfections which it is desired to hide. It is on all hands agreed that British trade has got to be improved, that without improvements it will be surpassed by the Americans, if not by the Germans. It may well turn out that the improvements in trade itself will have the effect of adding to its respectability, making it a subject of pride and

creating a much more favourable atmosphere for organisation and control.

The British business man has one asset which will keep British trade at the head of the list unless we ourselves deliberately let it down. The Englishman has a reputation all over the world for honour, for a square deal, for quality, and for general reliability, which it has never been suggested that any competitor can approach. He has for far too long been living rather indolently on this reputation. It is true that all the system of the Yankee and the science of the German have failed as yet to supplant the reputation of the Englishman in the world's markets: but the point has been reached where an advantage of this kind has been strained to its limits. It is a sentimental advantage which, other things being equal, has secured the order every time, but when the other things cease, as they are ceasing, to be equal, then sentiment will have to give way.

Nothing will ever be done with British trade until it is properly organised. The greatest difficulty which the organiser has to face is the personality of the Britisher, but there is ample room for hoping that this is an obstacle which, when it is properly understood, will disappear.

CHAPTER III.

THE TYPICAL TRADE ASSOCIATION.

THERE has been an enormous growth in the association movement in this country during the last twenty years, and there are now very few trades and industries which do not possess at least one association. In many cases the position is complicated and involved by the presence of two or more bodies each purporting to represent the same industry.

The troubles arising from war have given an impetus to this movement, and the membership of most of these bodies has increased in consequence of action taken in connection with recruiting or some similar war-time problem. The agitation for the capture of German trade has created a host of new associations, institutes, leagues, unions, clubs, and federations. New journals and exhibition enterprises have brought further committees together, and even the *Times* has started a new trade supplement "to strengthen the business organisation of the country."

But, subjected to a searching analysis, very few of these movements will pass the test as representative trade associations. Their origin is generally a doubtful one ; they are frequently created by some solicitor or accountant in the hope of extending his practice ; or may be they have their beginnings with some trade journalist anxious to improve his circulation.

An army pensioner in search of a light job is not infrequently the father of a trade association, while others originate in the activities of one of those business experts whose intimate acquaintance with the bankruptcy court constitutes him an authority on matters of trade.

With the majority of these Associations the " eternal lack of pence " is a fundamental trouble ; they are almost always in financial difficulties. If the subscription is low there is not enough to pay an adequate staff, and honorary officers have a way of being busy on other matters. If the subscription is high, the membership is thereby limited, and in either case, the benefits being of an intangible description, the life of a Trade Association is always problematical.

The possibilities which lie in a Trade Association are not sufficiently understood. The aims and objects of these bodies as set out in their official announcements show a striking lack of any practical utility. The majority of them waste the great bulk

of their time; which is one important reason why they seldom include in their membership the best people in their trades. They debate all sorts of political problems, of which the establishment of a Ministry of Commerce is a very fair example; they profess to deal with railway rates and other general questions having an application to all trades; and deliberately avoid their own practical and domestic trading difficulties. They will appoint committees and sub-committees to discuss at great length matters of procedure, rules, conditions of membership; or may be they devote the bulk of their time to orphans, widows, and trade charities; but it is extremely rare to find them doing much to help their members in the actual conduct of their businesses. They constantly call on the Government to do all sorts of things, but never do anything themselves. Strange as it may appear, it is nevertheless the fact that the greatest difficulty of an association secretary is to produce an agenda which will be sufficiently attractive to ensure a good attendance. These Associations hardly ever touch the Export side of their trade; that great business is so shrouded in mystery, with its private marks and secret signs, that it is far too dangerous a subject to mention in the presence of trade associates and rivals. The association spirit, strong as it has undoubtedly become, compared to what it was only a year or two ago, is yet far too weak to count

for much against those feelings of suspicion, rivalry, and jealousy which are still the leading characteristics of the English trader towards his fellow.

But a still greater bar to the success of the English Trade Association is found in those questions which may be classed as social. Every trade contains Churchmen and Nonconformists, Jews and Roman Catholics, University men and illiterates; public school men and rankers, wealthy men and poor men, old-established houses and new-comers, those who deal in the best goods, and those who only handle the cheap ones. For obvious reasons many of these people do not "mix" well; and when the only bond of union is a discussion on railway rates or municipal trading, the Trade Association fails to attract more than half of them. The biggest houses exhibit the greatest folly in this matter, they seldom belong to the Trade Association. They do not care to mix with the small man or teach him his business. They overlook the fact that most of the troubles of the trade arise from the ignorance of the smaller men, and that if only they would take the trade in hand and guide and educate it, they themselves would reap the largest benefit. If an official Association could be created, such as will be suggested in a subsequent chapter, with a touch of Government authority about it, and with definite objects to perform under the guidance of a Minister of Commerce, then these petty bars which at present

so effectually prevent co-operation among traders would quickly disappear.

While the above remarks apply correctly to the great majority of British Trade Associations, it must in justice be said that there are some brilliant exceptions. Birmingham trades are notable for a number of Associations which are models in their way. There are at least a score of bodies dealing with bedsteads, fenders, tubes, lead, glass, light castings, hollow-ware, and other trades. But many of them go to extremes in another direction. They actually control and arrange the industries which they represent, and in one or two instances come dangerously near to being trusts. Their activities are largely confined to the regulation of prices and output, and they do not live up to the best traditions of the foreign Associations in such matters as scientific research and industrial education. Here again some mild form of Government control would be all that is necessary to correct these dangerous tendencies. The latest, and, if accounts be true, the best British Trade Association is that recently formed by the Aeronautical industry, under the style of the Society of British Aircraft Constructors. The trade journal *Aeronautics* thus welcomes the new movement :—

"By this incorporation of the British Aircraft Industry into one single homogeneous representative body, one possessing corporate existence and

the faculty of self-expression, and yet remaining on the friendliest and most harmonious of terms with all existing institutions, the aerial salvation of the British Empire has been brought an appreciable step nearer, not only for the immediate present but for the future as well. Air committees may be formed, air programmes may be formulated, 'all sorts of crimes may be jumbled together with all sorts of follies,' yet the industry has now emerged from the period of tribulation and at long length comes into its own."

Although the ideal Trade Association has probably yet to come into existence, the ground has been thoroughly prepared and the trading mind is ready to receive it. In 1915 the Engineers' Club of Manchester appointed a special committee to consider the question of organising the British Engineering Industry. In November of the same year this Committee submitted a report from which copious extracts are given in Chapter IX. "The present is an opportune moment," says the report, "for the whole Engineering Industry of this country to re-organise and put its house in order.

"The development of our Engineering Export trade, in particular, has been highly unsatisfactory for some years, while Germany's rate of progress has been phenomenal. In our opinion, Germany's success has been due to education, to co-operation, and to organisation in manufacturing and selling."

Associations in trade seem to fit in with the German character, and the assistance which the German manufacturer secures from co-operation with his fellows is in no small measure responsible for the remarkable commercial development of that country. The law of the land helps matters a little, as trading agreements, even though they be "in restraint of trade," can be enforced in the German Courts, while all such arrangements are of doubtful legal value in this country.

No mention has been so far made of those excellent bodies the Chambers of Commerce, which at present are almost the only Trade Associations of any standing. They are certainly almost the only bodies which maintain adequate staffs for the performance of their functions. But Chambers of Commerce represent all trades, and do not profess to have any influence on improvements in manufacture of any particular class of goods. They are admirably suited to deal with all those general questions which the Trade Associations now profess to debate, but they cannot deal with the organisation, development, and improvement of any particular trade. The place of the Chambers of Commerce in the ideal organisation scheme would be a geographical one. They could deal with territorial interests, while the Trade Associations proper dealt with practical trade problems.

CHAPTER IV.

WASTEFUL COMPETITION AND THE HIGH COSTS OF MANUFACTURE.

"THERE is only one way of paying off the accumulated debts incurred by this war," says Lord Rhondda, "that is, to make goods and sell them. To do this we have got to organise the Nation in a big effort of industrial production."

There are two main factors in the problem of making goods and selling them—their quality and their price. Quality is very largely a question of education, a subject which will be dealt with later, while price is almost entirely a matter of organisation. Individual business men will admit the wonderful things that have been done in this country since the study of organisation or system was first introduced from America, but this study has up to now been confined to the requirements of individual businesses. It will now be necessary to examine the possibilities of organising not single businesses but whole trades.

Numerous examples could be given of articles

which are produced in an uneconomical way. The United Kingdom output of a certain article may be 25,000 per annum. The probability is that those 25,000 are produced in one hundred lots in two hundred and fifty places, each place turning out an average of two a week.

The unit cost of these articles is probably three times what it would be if the trade could be organised and standardised, as has been now done with such good results in the turning out of shells.

To put this point into rather more definite and tangible form, let us take an individual trade and see exactly what is happening at the present moment. The carpet industry will serve the purpose. I recently had an opportunity of inspecting the stock list of a well-known carpet manufacturer, which contained two hundred and fifty items. Fifty of these were specialities, and two hundred were regular lines which, except for trifling differences, were common to the whole trade. I found a standard pattern of stair-carpet, which I was informed was made by at least twenty different makers, in stock to the extent of £2,000. Now note exactly what this means. Supposing that each of the twenty makers had the same amount of stock in this standard line, you get at once £40,000 worth of capital sunk in this one pattern of carpet. Certainly ten times as much money as is justified by the demand for this pattern,

or any use that it is to the trade. But this money is locked up in obedience to the dictates of the fetish which we call competition.

I suggest that the waste of £40,000 in this way may be the real reason why we are not able to give the same amount of credit to the Argentine or Chinese buyer which the German is supposed to allow. Or it may explain why we are not able to give the same attention to design which the Austrian carpet manufacturers have displayed during the last few years. If we analyse this carpet trade a little more closely, and take only the twenty firms referred to above, what do we find? Twenty mills are making two hundred and fifty patterns of carpet, each pattern requiring certain machinery and materials to produce it; each mill keeping a selling staff, accountants, book-keepers, salesmen, travellers, and agents, of, say, fifty men, and each mill supplying, or endeavouring to supply, every part of the world.

Without asking the reader to bother himself with too much arithmetic, it is perfectly obvious that if these twenty mills could agree among themselves to divide up the two hundred and fifty patterns and organise between themselves a selling staff which would cover the world, we should do three things: We should first of all dispense with a considerable portion of the machinery and plant used in that industry; we should next reduce the stock,

which is one of the most expensive items in connection with the conduct of a business, to one-tenth of its existing proportions ; and, in the third place, where one thousand men are now engaged selling the product, two or three hundred could do everything that is required. I shall be told that I am killing competition, but I do not agree. Is there any justification for twenty travellers representing twenty mills running to Inverness because some small buyer wants a few rolls of stair-carpet ?

My critic will probably argue that this competition keeps the price down for the benefit of the small buyer in Inverness. I do not agree. The buyer has to pay his share of the expenses of the twenty men who go to see him, even though it is not put that way on the bill. He thinks because he finds some weakling willing to quote him twopence a yard less than anybody else that he is saving money. I doubt it. It is a well-known principle of manufacturing, which is applied to several trades with which I am acquainted, that materials should not cost more than one-third of the selling price of the finished article ; the other two-thirds is absorbed by labour, by the selling staff, by trade expenses and profit. If this theory is true of carpets, we can begin to understand how it can possibly pay to send twenty men to Inverness to take one order.

In his book, "The Laws of Supply and Demand," Mr. Dibblee comes to the conclusion that there

is room for the foundation of a new branch of economics, which would have to recognise that problems of production are now surpassed in interest by those of selling or distribution. There is at all events a very urgent case for the consideration of the Trade Associations, to decide whether our present system of distribution and selling is for the general good. It is important that competition should not be eliminated, and that is where Government control of Trade Associations would be of great value; but it is also important that competition should not defeat its own object. There is a point up to which competition is a cheapening or economical influence, and beyond which it is simply an extravagance and a force for raising prices. It should be the duty of each Trade Association to keep the activities of its members somewhere near this point.

Competition is not always a matter of selling or of price. Dr. William Garnett quotes the case of twenty manufacturers all in competition and each possessing one trade secret. He shows how ineffective any such arrangement is, and how powerful that trade and each of those twenty makers would become if the twenty secrets were the common property of all.

There is another most important factor which bears upon the cost of manufacture in this country —the attitude of labour, or rather the attitude of

the employer towards labour. The piece-work price of a job is fixed at a figure, and the workman deliberately restricts his output so that he does not earn more than a certain amount. His reasons for so doing are twofold; first, he knows that if his earnings exceed the thirty shillings which the "masters" have decided is the proper figure for a man of his social standing, the price of the job will be reduced. Secondly, he fears that if he performs too much work he will throw some fellow-sufferer out of a job.

Both of these errors can be laid at the door of the masters.

The absurd idea that a workman can earn too much is a leading reason for our extravagance in manufacture. A master will pay £500 for a machine and another £100 a year for its house rent, its repair and its upkeep, and then allow it to work leisurely for eight hours a day because, if you please, the workman must not earn more than a limited income. The only important consideration, the unit cost of the article produced, is ignored.

The fact that, if the machine were working full pressure for twenty-four hours and the workman earning four or five times as much as at present, the unit cost might be half what it is, never seems to occur to master or man.

As to the man's theory that there is not enough work to go round, and therefore he must restrain his efforts, this is due to the lack of organisation

and association among the masters, and the consequent fear that the article may not find a market. When one considers the possible needs of the world, and how little they are at present supplied, this fear is shown to be ill-founded. When the Export side of British Trade is developed to its fullest extent there will never be any glut in the home market, and no man need fear the lack of a job or be content with low wages. Further, high wages and high speed, properly regulated and controlled, would be important considerations in lowering costs.

CHAPTER V.

OUR PRESENT TRADE LEADERS

On March 7th, 1916, a deputation waited upon the Prime Minister to present to him certain resolutions passed at a meeting at the Guildhall, London, to consider trade after the war. The deputation consisted of two Lord Mayors, two Sheriffs, three members of the House of Lords, one accountant, and Sir George Alexander.

Such a statement carries its own argument, and cries aloud for the establishment of machinery to which the Government can turn when it wants to discover the mind of trade.

The Allies are meeting in Paris to consider trading problems arising out of the war, and it is safe to say that most of the men at that Conference have seldom been faced with the practical problems of profit and loss in connection with trade.

Our present trade leaders are men who have won fame in some other field. For instance, a timber man may make a fortune by methods which would not meet with the approval of the trade as a whole.

He then endows a church, or founds a hospital, or goes into Parliament, and in due time is honoured by the King with a baronetcy. Thereafter for all practical purposes he is the leader of the timber trade.

If the Government appoint a Royal Commission on timber the hospital baronet goes on to it as a matter of course. The theory seems to be that a baronet must know more than some plain mister who has been foolish enough to stick to his trade, and has never been in Parliament.

Another phase of the same folly is noticeable in the presence of peers on Boards of Directors. The public will find the money for any mad scheme if only a popular lord is chairman of the board.

In the matter of parliamentary action the same illogical procedure is even more pronounced. Parliament seldom does anything for its own sake; there is always a secondary and generally a more important consideration.

A minister will introduce some measure vitally affecting the interests of trade, and it will be carried, not because of its merits, or by the wish of the trade, but by the votes of a parliamentary party interested in, say, reform of the marriage laws. The Government, being pledged to reform our marriage arrangements, must be kept in office for that purpose, and so the other silly proposal for dealing with trade is promptly voted on to the Statute Book.

Parliament upon a certain classical occasion devoted a whole sitting to the discussion of plumbers' registration, and many learned and distinguished people who had never seen a plumber talked for hours about it and settled the fate of the plumbing industry. The explanation of this sudden awakening of Parliament to the importance of a trading matter was to be found in the fact that the second order of the day was a motion for woman suffrage, and honourable members were anxious that that subject should not be reached.

In later days we have the Member for the Air elected by the votes of those who object to licensing restrictions and those who feel aggrieved by the calling to the Army of the married men.

These examples could be multiplied indefinitely to show that trade is at present unrepresented; no voice can speak for it with authority, and it is the plaything of hereditary peers and party politicians whenever it suits them to make use of it.

I am not overlooking, as already said, the Chambers of Commerce, bodies which do much excellent work, and to which the trading community as a whole is deeply indebted. But Chambers of Commerce can never perform the functions which real Trade Associations should undertake. As a matter of fact, many of the present Trade Associations are weak imitations of a Chamber of Commerce, and most of them devote their time to

those general questions which are the proper province of the Chambers. Chambers of Commerce cannot profess to be representative, their membership is a voluntary one, and it is seldom indeed that the trade committees which they constitute are really representative of a whole industry. These Chambers have done an immense amount of good work in a general way, but that is in itself their weakness when it comes to dealing with particular industries. There is a science of trade and there is the science of the leather trade. The former is a proper subject for the Chamber of Commerce, while the latter should be handled by the Leather Association.

On questions such as general commercial education, arbitration, the laws of contract, freights, railway rates, income tax, the metric system, registration of firms, company and bankruptcy law, the Chamber of Commerce has quite enough to occupy its attention, and it can deal with these matters far better than can any individual trade.

The membership of a Chamber of Commerce often renders it incapable of representing the best interests of some particular trade. Merchants, agents, shippers, bankers, foreign importers, commission houses, brokers, and carriers, are to be found in great numbers on the roll of any Chamber of Commerce. While these persons are of the greatest importance to trade, they are not the people

actually responsible for production; their relation to trade is rather that of the doctor, the lawyer, or the accountant.

Chambers of Commerce have another function which is extremely important. They represent what can be described as territorial interests. The trade of Birmingham or of Leeds has interests of its own, quite distinct from those of the bedstead industry or the woollen trade. These geographical interests can be left in the hands of the Chambers of Commerce, who can act as a check upon any Trade Association in any action that might be detrimental to any particular locality. The Chambers of Commerce are local institutions, the Trade Associations must be national in character.

CHAPTER VI.

THE EXPORT MUDDLE.

A FAVOURITE subject with writers on British export trade is the sins of the manufacturer. It is said that he is apathetic, that he lacks enterprise, that he makes no effort to understand his customer, that he cannot pack, that his terms are wrong, and indeed there is little that he has to recommend him except, of course, the glorious traditions of the past. Writers by the thousand, and consular officers by the hundred, have preached at him, and yet he does not seem to improve.

Exactly the same complaint will be found in America or Germany, but that is beside the point.

The fact remains that these criticisms are made, and have been made for generations, and yet little or nothing appears to be done to meet them. This points to some weakness somewhere, and that weakness is simply and solely lack of organisation. When the absolute absence of any system or principle in connection with exportation is realised, the wonder is that any export trade is done at all. The

real difficulty is to understand how we have managed to retain so much as we have, in face of the well-organised efforts of German and American export associations to oust us.

Enquiries made in any manufacturing centre will disclose the fact that most firms are doing at least a little export business. The bigger ones will be working for their own agents abroad, but the majority will be found to be in the hands of some London shipper. The reader will find a parcel of goods "for export" marked with a number of mysterious signs, to be forwarded to some home port to the order of a London shipper. The manufacturer in many cases has no idea of the ultimate destination of the goods and no sort of contact with the foreign buyer. This is the beginning and end of export business so far as many manufacturers are concerned. They like the trade because the shipper pays promptly, and that is all they know about it.

Tracing the matter to the shipper's office, we shall find a firm with various branches or connections abroad buying in London for those connections. As a general rule the shipper is not concerned with the origin of the goods, and he buys British, German, or American wares indiscriminately. His only interest in the matter is to satisfy his customer and earn his commission. If, as often happens, the customer prefers a German article, he can have

it, and thus it comes about that a large volume of German export trade is actually transacted in London.

If an investigation were made into the present extent or future prospects of, say, the British pencil trade in the West Indies, the following is the sort of information that would probably be forthcoming. The pencil maker would say that Messrs. So-and-so, of London, are big buyers of pencils and it is believed that some of them go to the market in question. The maker has made no effort to tap the West Indies market for fear of trespassing on Messrs. So-and-so's preserves, they having a large account with him. The Consul, if consulted, would reply as all Consuls do, that the foreign article is much better, or that the West Indians do not use pencils, or that German travellers visit the place every three months and send large stocks on long credits. The shipper would declare that he buys pencils from whom he pleases and what he does with them is his business. Nowhere will be found any systematic effort to push British pencils in the particular market.

Pencils are here selected merely as an illustration, and the picture drawn, if not true of this article, is representative of many British manufactures.

The result of our enquiry is to show that the shipper is right in the centre of the whole problem. His facilities for conducting export business are a source of great strength to the Empire if they are

so used, but they become a dangerous weakness when they are placed, as they often are, at the service of the foreign producer. Surely here is a question that ought to be taken up by the Pencil Trade Association if such a body exists, and yet it would be fairly safe to wager that they have never mentioned it at any of their meetings. The members who have been at enormous pains to discover which of the many shippers buy pencils at all, are disinclined to impart the information to their rivals, and the shippers who are buying from some low-priced house are not inclined to take a hand in an association which may have a tendency to stiffen prices.

If the Pencil Association would get together, and if all the members would forget their prejudices, imagine themselves Americans, and place all the facts upon the table, the exact position of British pencils the world over would be shown. The weak spots would be laid bare and arrangements could be made to repair them. It ought to be possible to get the aid of the shippers if they could be assured that no attempt was to be made to supplant them. The awful fact might then come to light that the West Indies had never seen a British pencil, and that those which were supposed to be going to that market were really consigned to Brazil. The Association could then arrange for special representation in the West Indies on

behalf of the whole British trade, and a new market would be opened.

The pencil is an excellent illustration because it lends itself so admirably to the various aspects of the subject. It is an article in which the Germans have done well. It is a small thing, which must be handled in enormous quantities to pay. It cannot carry much in the way of overhead charges and selling costs, and is, therefore, an ideal subject for some system of co-operation which will spread these expenses.

The full possibilities of associated action are nowhere so well illustrated as in connection with export trade. A well-planned export association can not only arrange for the world's trade in its commodity and increase the export of it enormously, but it is in a position to deal with foreign competition as no individual system can possibly hope to do. American, German, and other export associations are doing exactly what is here suggested should be done in Great Britain, and surely the competition of these bodies can only be effectively met by similar forces. It is not inconceivable that communications might be opened between kindred associations on opposite sides of the Atlantic to the advantage of both.

If every Trade Association had its export committee, different trades would join hands for the purpose of special markets. Co-operation as

between trades is a subject to itself which space forbids us to explore. If the experience of the Boot Trade with Portugal could be exchanged for the report of the Pottery Trade in Egypt both would benefit.

Enough has been said to show that there is a need for associated action in connection with export business.

If further proof were required the history of recent German Expansion will furnish it. Mr. Maurice Millioud in "The Ruling Caste and Frenzied Trade in Germany" gives us the following brief but convincing summary:—

"Her whole industrial, commercial, and financial organisation . . . was directed to the capture of the foreign market. . . . Her turnover has actually increased by six times in forty years. Her share in the world's trade in 1870 was three milliards of marks, in 1890 eight milliards, and in 1910 eighteen milliards.

From 1870 to 1911 German exports rose from 1,300 to 8,100 millions of marks."

Our present arrangements work extremely well, when some foreigner sets out to buy British goods and will have no others. They presuppose a demand, but they break down hopelessly in competition with more modern systems, when a demand has to be created. They were invented in the days when the only thing worth having was an English

article, before other countries had started in business. That position has altered, and it is surely time that we realised the fact.

All sorts of possibilities are open to an association which are out of question in the case of an individual. Credit, transport, shipping, customs, exchanges, and other troubles which worry and discourage the small manufacturing firm, would be mere routine details with an export association. The vital question of credit, which the Germans seem so well to understand, is only capable of satisfactory settlement on some co-operative basis.

A study of the problem of export must include a reference to our existing Consular Service, a service which may be said to be far better than we deserve, if regard is had to the miserable pittance of public money which is spent upon it.

In a recent discussion in Parliament concerning the Consular Service Lord Robert Cecil admitted that a great many changes must be made therein. He thought that it was a mistake to regard our Consuls as a kind of glorified commercial traveller. They should be officers of the Foreign Commercial Intelligence Department of the Government. They ought to be officers to collect and co-ordinate all the information which is serviceable and available to the traders of this country. They ought not to enquire with a view to pushing a particular trader's interest ; they ought to be machinery by

which information and knowledge is acquired for our trading purposes. If this were accepted, he quite agreed that within the limits imposed by the Treasury we should have more Consular officers, that their prospects should be better, and that their pay should be better. If a greater number of Consuls were provided, they ought to be able to devote their whole time to the commercial public, and we might have a trade commissioner or superior officer in the various countries dealing with the Consular Service. We ought undoubtedly to provide for some system of Consular inspection.

So much for the official view, but unfortunately it must be read in conjunction with Lord Robert Cecil's reply to a question in which he stated that it will be impracticable to deal with the recommendations of the Royal Commission in regard to the general Consular Service during the war.

The most interesting point in the above statement by the Under-Secretary for Foreign Affairs is the opinion that consular officers should not be used to push a particular trader's interests; to which we would add that they are in any case almost useless to push any particular trade interests at all. The Consul, or better still the Commercial Attaché, at the Embassy, ought to be at the service of the Special Commissioner which each trade through its association should send to each market. Official assistance combined in this way with expert trade

knowledge would be a powerful combination in any market, a truth of which the Germans have made the fullest use.

It is unnecessary to devote any considerable space here to a study of the Foreign Associations with which we as a nation have to compete. Their existence is admitted, and some of their leading features will be embodied in the model English Association which will be suggested later. A glance through the pages of any trade paper will produce examples by the score. Germany is exceptionally strong in this respect. A recent report on the metal situation in an English paper mentioned an association on almost every second line, such as the Stahlwerks Verband, the Pig-iron Syndicate, the Bar Iron Export Association, the Syndicate of Wire Drawers, and the Spelter Syndicate. Another paragraph on textiles tells us of the German Hemp Cultivation Society, the Flax Growers' Association, and numbers of kindred bodies who are consulting as to the "capture of English trade." Owing to the greater appreciation of the value of organisation shown in Germany and the United States, these nations are now, and will be in the future, formidable rivals in all foreign markets, rivals which are bound to win against any individualistic system such as that upon which we now rely.

Engineering of October 29th, 1915, contains a report of a meeting held in Germany to promote

export trade on the termination of the war. The Committee of two Associations—the Federation of Merchants, and the Central Union of German Merchants—are of opinion that the numerous attempts made by foreign countries to exclude German Commercial Competition after the war will require further efforts in organised expansion of German Exports. A great deal could be written about American activities on precisely the same lines, while if one goes to Sweden it is found that practically the whole of her export trade, including the world-wide wood-pulp and paper trade, is promoted and controlled by Trading Associations. Holland and Belguim can furnish further examples.

Traders abroad, and especially in our own colonies, are always telling us of the wonders of the German commercial traveller. Canada is, or was, overrun with German agents superior in equipment and able to offer better terms than the Englishman. The explanation is simply that these Germans are almost always the representatives of an Association of Makers, who can pay them far better and equip them much more lavishly than can the wealthiest Englishman foolishly trying to run a world-trade single handed.

A note should here be made of what is familiarly known as dumping. Prophets are not wanting who tell us that Germany is busy preparing a vast store of goods ready to dump when war is over. This

store is variously estimated and has even been stated to be of the value of £300,000,000 on January 1st, 1916, and then still growing. This highly improbable story does not alter the fact that dumping does sometimes take place. Now dumping is an art which can only be practised by Associations and can only be met by Associations. The few well-organised Trade Associations that we have in this country could each tell a story of dumping, and can each, if they would, show how dumping ceases immediately there is any question of reprisals.

CHAPTER VII.

GOVERNMENT CONTROL OF TRADE ASSOCIATIONS.

In the preceding chapters an attempt has been made to sketch the present position of English trade and to emphasise the faults which exist both in the system and in individuals. We have seen that trade is threatened with a number of very important and troublesome problems. It has been shown that no machinery exists for the adequate discussion or proper settlement of any of these problems, and the very grave danger that they may be handled by the wrong people and that trade may be ruined by being dragged into party politics has been made clear. The helpless position of the individual British tradesman striving to combat the organised efforts of America and Germany becomes more evident as one studies the facts. The Englishman's disinclination to accept any form of control, and his independent attitude towards Associations, are further disadvantages under which British trade labours.

Kindred difficulties are the attitude of the best brains in the country towards trade, the fetish which we make of the professions, and the way in which so many of our most promising young men deliberately avoid a career of business.

It has been pointed out that these personal questions are capable of very simple solution, and that a very small dose of official recognition would probably be sufficient to cause them to disappear.

The chapter on the typical Trade Association furnishes sufficient evidence as to the general recognition of the need for associative activity which now exists, but it also shows the very urgent necessity for some form of control of these associations, more particularly in the way of guidance as to the class of work they should perform.

The British neglect of scientific and industrial research—a neglect which has allowed our competitors to get far ahead of us in many branches of commerce—is a fault which might be justly laid to the charge of the Government. On the other hand, Government action in such matters is difficult without the co-operation of the trades concerned, and if Trade Associations and Parliament can be brought together by means of some official link this problem ought to be easy of solution.

We have also discussed the high costs of manufacture, and especially the costs of selling, due to the weakness of the existing forms of association

and the lack of co-operative spirit among the manufacturing classes in this country.

One of the results of a general system of Trade Associations must be to bring traders of a kind into closer touch, and automatically to eliminate a lot of the useless competition which now does so much harm to our commerce.

It has been seen in the chapter on our present trade leaders that the close application to business which is essential if business is to succeed is not, as things are now constituted, the road to leadership in trade matters. Questions that now arise in connection with commerce are settled by all sorts of sundry people who happen to have achieved fame in other walks of life.

And finally, in connection with export, it has been shown that there is not the least chance for this country to remain in the front rank of the export market unless the trade of the country is treated as a whole, and the present hopelessly inadequate individual methods are abandoned. In this way the case for the organisation of British industry has, I hope, been established.

But there is one great and powerful argument against Trade Associations, an argument which is always used, which carries great weight, and which is generally successful in thwarting any endeavour to put a particular trade on to a co-operative basis. As soon as an association shows any signs of life

it is at once dubbed a Trust or a Combine; both words which have secured for themselves very undesirable meanings. There is a great deal of ground for this jealous watchfulness against the Trust, and every good reason why its establishment in this country should be avoided. But this argument is also another reason why the Government should take in hand in some way or another the control of Trade Associations. If the Government can direct the work of these associations into useful channels, it can also prevent them from becoming abuses, and introduce safeguards against the methods of the Trusts.

It may also be well to insert here a word of warning as to the limits of the possibility of Government action. If many of the speakers on trade and commerce now before the public were to be believed, ministers could with a stroke of the pen, by using the magic word tariff, or by establishing a Ministry of Commerce, bring an end to all the troubles of the trading community. This is an idea the absurdity of which is evident to any who think on the subject. No tariffs and no ministries could remove many of the weaknesses which we have so far described. The cure of British trade must be undertaken by the traders themselves. The movement for reform must come from within. Trade must, to use a royal expression, "wake up."

The question then arises as to whether the

Government can promote, encourage, or control this movement. Government interference with trade requires to be applied very carefully, and as a general rule the less there is of it the better. The late Lord Salisbury once expressed the opinion that "business men had more to fear from Parliaments that meddled too much than from Parliaments that meddled too little." The following morning, when the speech was reported, half the papers printed it "muddled," and when Lord Salisbury's attention was called to the mistake and he was asked to correct it, he declared that he could see no difference.

Within the last eighteen months every trader has experienced some of the inconveniences which arise from Government interference with business. It is very seldom indeed that official orders with regard to any particular articles or trade find general acceptance among those most interested.

Nevertheless, under proper safeguards, there is a very strong case for the establishment of some department of the Government which shall be specially charged with the business of promoting trade. The present Board of Trade might be more aptly described as a Board in restraint of trade, as its duties very largely consist in the issue of regulations as to what may not be done, and a very small portion of its activities are directed towards the more important work of promoting trade interests.

The cry is for a Ministry of Commerce, and it may well be that a new department under this title might prove to be the best means of taking in hand the guidance and control of Trade Associations.

On the other hand there are very serious objections to the establishment of a new ministry. The multiplication of Government offices means an enormous multiplication of work. Every question arising has to be referred to all the different departments of the Government, and each new ministry means more references not only for the new questions that arise but for all the old questions. It might be found possible to do all that was necessary in connection with trade by the establishment of a new department, or the re-organisation of old departments, of the existing Board of Trade. Even if a new ministry is established it would obviously have to take over several of the existing departments of the present Board, such as Exhibitions, Commercial Intelligence, and Labour, as well as the Consular Service from the Foreign Office.

Very high questions of policy are no doubt involved in the problem as to the establishment of a Ministry of Commerce, and if it were easier to secure a Controller of Associations under the Board of Trade, the effect might be the same. If, on the other hand, it proved possible to create a new

ministry, the effect on the whole would probably be better.

After all is said and done, it does not very much matter what names are given to these things so long as the Government sets up some machinery which will perform the work that is required. It is of the utmost importance that the machinery should possess sufficient powers; and yet that the powers should not be too great. The real powers in connection with trade must remain with the trades themselves, expressed and exercised through the Trade Associations.

"A constructive statesmanship, even if it left the present system untouched in principle, would seek to supplement the negative privilege of free enterprise by providing positive facilities at the public expense for research into processes of production, methods of organisation, and openings for trade, and by increasing the educational provision which is the chief aid to equality of opportunity."*

A word must be said in this connection with regard to the constitution of the new department. The Ministry of Commerce must be, like the Foreign Office, entirely removed from the sphere of party politics. Unless this point can be agreed from the start it is far better that the Government should leave the whole matter alone.

This part of the problem has been made

* "Economics for the General Reader," Henry Clay, M.A.

extremely difficult by the history of what is known as the Tariff Reform Movement during the last few years. Tariff Reform and Free Trade have in some mysterious way become associated with party politics. These questions are taken up and debated in much the same spirit as Home Rule or Conscription, as if some great question of principle was involved in them. But in reality the advisability or otherwise of a tariff has surely nothing to do with principle. It is a matter of detail and of expediency. A tariff may be necessary to one trade and fatal to another. It may be good at one time and bad at another. For a man to describe himself as a tariff reformer or as a free trader in an unqualified way, is surely to disclose an entire ignorance of the real problem involved.

We have a very modern instance of a great political question which is unhampered by the party machine. Women's Suffrage has up to the present succeeded in keeping itself entirely free from either political party, and every man in Parliament or in local politics is at liberty to hold his own views on this matter, irrespective of the political camp in which he usually resides. Before thinking of the establishment of a Ministry of Commerce, or before consenting to make the promotion of commerce a part of the business of Government, it is quite essential to get trade questions entirely detached from party politics.

Among the many demands which are constantly made by those who profess to take an interest in trading matters is the claim that the Ministry of Commerce shall be controlled by business men. Politics are supposed to be cursed by all sorts of people who have no business ability, and we are asked to believe that the only persons capable of controlling a Ministry of Commerce are men of great business experience. That is a view which has never appealed to the present writer. The successful business man is usually a person whose great position has been secured by reason of his very close acquaintance with the minute details of his own particular branch of industry. In order to succeed in business it is necessary to devote one's mind so completely to the comparatively small problems of one's own trade that the really successful business man seldom possesses a mind which can take a wide view of a national problem. Success in business comes from concentration on details. Success in a Minister of Commerce calls for very different qualities. It is also necessary to point out that the business man always has an axe to grind, or always should have. Whether he likes it or not, he will, if honest, admit that his whole mind turns in one direction when his business interests are affected. In the ideal scheme which it is the purpose of these notes to promote, the business man will be in undisputed control of his

Trade Association, and some person skilled in the art of government will be at the head of the new ministry, for the purpose of collecting and co-ordinating the opinions of different industries as expressed by their leaders.

Having established a Ministry of Commerce or its equivalent, and settled the lines upon which it is to work, the problem of organising the trade of the country would be halfway towards solution. Representative associations would spring into being at the call of the Government. The stamp of Government prestige would at any rate go far to overcome those objections which now keep many of the best business houses outside Trade Associations. No social distinctions would prove any difficulty in an official organisation. If the Government were to design a model Trade Association, and call upon the Furniture Trade to arrange itself upon these lines, the trade would immediately bear a different appearance. The first result would be an accession of dignity and respectability to business which it undoubtedly lacks at the moment, and furniture men would not be found striving to make sufficient money in order that their sons might get into one or other of the professions.

The Furniture Trade Association thus brought into being would not waste its time on the discussion of a lot of abstract matters because of the paltry fears and suspicions which now prevent them from

discussing real trade problems. The Minister of Commerce, or Controller of Associations, would require them as the price of his official recognition to do certain definite and useful work. He would probably call upon them to elect a Committee to deal with the problem of education, and industrial and scientific research, and such a Committee would immediately be formed if its labours had some chance of bearing practical fruit.

The scheme which will be outlined in more detail in a subsequent chapter is, roughly, that the trade should discover exactly what are its needs in connection with education and science, and that when it had done so the Government should proceed to meet those wants.

In the next place the Minister of Commerce or the Controller of Associations would call upon the Furniture Trade to prepare a report upon the export of furniture from these islands, and if that call were accompanied by an intimation that some form of Government assistance would be given in the promotion of export trade, no difficulties would be found in producing and collecting all the information necessary upon which to form a national plan for capturing foreign markets. It should be noted in passing that no objection can be raised to the formation of a trust for *export* purposes. The arguments against combines and trusts apply only to the home market, where it is presumed that the trust

has unrestricted powers. This is a condition of affairs which does not exist in connection with foreign markets, and it might well prove possible under Government guidance to establish what would in effect be a trust in every trade to handle export business.

Next, the Minister of Commerce would require the Trade Association to undertake a study of the labour problems associated with its industry. The Government would be able to see that the views of labour were properly considered in connection with any such study. This is a matter which will form the subject of a separate discussion a little later, but it may here be pointed out that under the proposed arrangements most of the questions now classed under the heading Labour are capable of adjustment.

The Government would also rely upon the Trade Association for statistics connected with its trade. A great deal of public money is now spent upon statistics which often fail to serve a useful purpose because they are compiled upon some general plan, whereas if they were produced specially for individual industries by officers appointed to that industry they would have some real use. The statistical work of the Trade Association would not only consist in supplying the Government with such figures as it might require, but would also take the form of a close study of costing systems and other

similar matters for the benefit of the trade as a whole. There is almost no end to the work that could be done by an official association in connection with the Government in promoting the well-being of any particular industry. One further example will suffice for present purposes.

A great deal has been talked of the inability of the English business man to secure that financial assistance which it is supposed is so readily procurable by the German manufacturer. If half the stuff that is written on this subject be true, the German is never subjected to any worry on account of the lack of capital or credit. As a matter of fact if the question were more closely examined, it would probably be found that the financing of German business is a direct outcome of the high state of development of the Association Movement in Germany. No English bank would decline the overtures of the Furniture Trade Association. If a group of even twenty manufacturers desired to undertake some export business which involved a large amount of credit the most straight-laced of the British banks would do all that was required. In this matter, as in so many others, we are inclined to lay the blame on the wrong shoulders. The trouble is not due so much to the attitude of the British banks as to the lack of stability on the part of the British trader who asks for the accommodation. That lack of stability would not exist in the

case of an Export Association. The power of combination to which is added a little official weight would undoubtedly be able to arrange any form of credit or finance for a sensible business scheme

CHAPTER VIII.

THE MINISTRY OF COMMERCE.

It is hardly possible to read a daily paper nowadays without finding some reference to the demand for a Minister of Commerce. Resolutions are continually being passed by all sorts of bodies pressing this appointment upon the Government, but it is extremely difficult to discover exactly the functions which it is desired that this Minister when appointed should exercise.

Here and there he is boldly put forward as a means to a tariff, other resolutions but thinly veil the suggestion of a Minister whose duty it shall be to oppose labour, but so far no detailed or definite plans for the work of this new office appear to have been put into print.

When asking for a Minister of Commerce, it is usual for speakers and writers to indulge in attacks upon the Board of Trade. This habit probably arises from the fact that destructive criticism is always easier to give than constructive advice.

This practice of attacking the Board of Trade is unfair and ill-informed; it arises from a failure to understand the functions of the proposed Ministry of Commerce, and ignorance of the existing duties of the Board of Trade.

"During the nineteenth century the view of the relation of the State to economic organisation that had most influence was the view that they should be as distinct and independent as possible. The obsolete and hurtful character of the State-regulation existing at the beginning of the century discredited State-regulations as such; Adam Smith had shown that the organisation of industry and commerce was a spontaneous thing, owing little or nothing to the direct action of the State, and that it had in it a sort of self-regulating principle, which made it unnecessary for the State to interfere in the public interest. This self-regulating principle is the action of competition. A belief in its beneficent effects was the mainspring of the movement to 'free' industry and commerce from all State 'interference,' and is the ground of most opposition to State-regulation to-day. Although an elaborate system of laws and administrative machinery regulates industry to-day—the movement in the first half of the century for the abolition of the obsolete system of State-regulation having been succeeded in the second half by a movement to impose new regulations adapted to the new con-

ditions of industry—society still relies on competition, rather than on direct State action, to secure harmony between private and public interests. The organisation of production is on the whole effected by free contracts between individuals; the distribution of the product is left by the State to be determined by the bargaining of the individuals who directly or indirectly take part in production."*

Acting on this plan, the Board of Trade undertakes a great number of important duties, very few of which have anything to do with the *promotion* of trade, but all of which are essential and necessary for its proper *regulation*. These duties include the supervision of railways, harbours, labour exchanges, unemployment, strikes, wrecks and loss of life at sea, electric lighting regulations, companies, standards, weights and measures, meters, bankruptcies, patents, designs, trade marks, and other kindred matters. All these questions are properly classified as *trade*, but they have very little connection with *production*. When they are all settled they still leave an enormous field for the activities of a Ministry of Commerce, whose duties would be confined to the promotion of trade or the encouragement of production and selling.

In presenting an outline scheme for the constitu-

* "Economics for the General Reader," Henry Clay, M.A.

tion of a Ministry of Commerce or for the office of Controller of Trade Associations, one or two preliminary observations are necessary. In the first place no financial considerations must stand in the way of any such plan if the scheme itself is shown to be to the general advantage of British commerce. The Ministry of Commerce must not be considered by the Treasury on the same general principles which they apply to any other form of national expenditure. If the nation is going to take a hand in the organisation of trade and commerce, then it must approach the problem in exactly the same way as the business man would approach an ordinary business proposition.

The first thing which the business man has to learn is to distinguish very definitely between private expenditure and business expenditure, and the same individual who would exercise the greatest caution over some household item involving the sum of £5, will act very differently in connection with a business proposition which involves a purchase representing, say, £1,000. It will therefore be necessary for the Government and the public to understand that while there is every call for great care and economy in connection with all forms of expenditure out of income, when they come to deal with a Ministry of Commerce they are handling a business proposition; the money spent will presumably be remunerative, and the same

standards will not apply. The question involved is no less than the life of an export trade which in 1913 reached a total of £500,000,000, as well as the life of a home trade, the value of which has never been closely estimated, but which is many times greater. This is a business which has doubled in the last twenty years and which is capable of indefinite expansion, but which has now practically reached its limits under present arrangements. The £500,000,000 of exports referred to are exclusively the produce and manufactures of the United Kingdom, and another £100,000,000 must be added if we include the trade which is done by way of exporting foreign and colonial merchandise.

All this business put together, in the days before the war provided the nation with a revenue which is now only sufficient to pay its debt charges. That is to say that the money which trade produced prior to 1914, and which was spent upon the various forms of public service, will now be required simply to meet interest and sinking fund. If, therefore, further money is demanded, as it of course will be demanded, to continue the various public services on something like the scale which they reached prior to the outbreak of war, an entirely new trade will have to be created to find the necessary money. A new era of production must commence. New standards both for capital and for labour must be

set up and new ideas in government must be established.

It would be far better that the Government should decline altogether to touch the question of trade than that they should enter upon it in any parsimonious spirit, or subject to any of the harassing financial restrictions which are so proper and necessary in connection with other forms of public expenditure.

In the following outline of the *personnel* of a Ministry of Commerce a salary list amounting to something under £100,000 per annum is suggested. This sum would of course be much increased by the salaries of the different staffs that each of the officers named would require. If this £100,000 is going to be subject to the same form of criticism as a similar amount spent upon, say, the inspection of weights and measures, or the maintenance of the Royal Parks, then the question had far better be left alone entirely.

The salaries suggested for the different officers mentioned are in each case considerably less than men of the necessary ability could secure in the open market of commerce. Some little concession has in this way been made to the deep-rooted English idea that the honour of the Public Service is worth some financial sacrifice.

SUGGESTED SCHEME FOR A MINISTRY OF COMMERCE.

PERSONNEL AND SALARIES.

1. The Secretary of State for Commerce £5,000
2. The Advisory Council consisting of the Chairman of each approved Trade Association .. .. No salaries
3. The Parliamentary Secretary .. £2,000
4. The Permanent Secretary .. £5,000
5. Six Under-Secretaries .. each £2,000
   (*a*) Export.
   (*b*) Industrial and Scientific Research.
   (*c*) Commercial Education.
   (*d*) Statistical and Financial.
   (*e*) Labour.
   (*f*) Exhibitions and Advertising.
6. Three hundred Trade Secretaries at a salary of £500 each: £250 being paid by the Government and £250 by the Associations. Three hundred is an estimated number which assumes that fifty trades would avail themselves of this scheme and would each require six secretaries to deal with the six departments—(*a*), (*b*), (*c*), (*d*), (*e*), (*f*)—as above. These Trade Secretaries would be appointed by the Associations and would be under the dual control of the Under-Secretaries and of the Associations.

The Secretary of State for Commerce.

There is room for a good deal of discussion as to the qualifications for this office. It will of course carry Cabinet rank, and its holder will be one of His Majesty's principal Secretaries of State. There will no doubt be a great many of opinion that the position should be held by a man who has had experience of commerce. But, having regard to the duties of the office, there is probably a better case for the appointment of someone more likely to possess the quality of statesmanship. The Secretary of State for Commerce will be at the head of a great advertising scheme for British trade as a whole. The more he deals with wide questions of general policy and the less he has to do with details the better. If the Ministry rises to the full height of its possibilities in the national service, the Minister of Commerce will be one of the most important members of the Cabinet. The ideal person for the position is not necessarily a business man, but someone who has the power to lead public opinion, to create enthusiasm and produce results.

The Parliamentary Secretary.

This office would rank with other parliamentary secretaryships, and would involve the ability to state the case for Commerce in Parliament. Here is certainly an opening for a man of business experi-

ence, and there are many Members of Parliament who could fill it with distinction.

The Permanent Secretary.

In the appointment of the Permanent Secretary the argument in favour of a business man would probably carry more weight. It is, however, possible that one of our great administrators, such as occasionally crop up in connection with the control of Colonies or other great administrative undertakings, might give more general satisfaction. The Permanent Secretary would be entirely occupied with the settlement of great questions of principle; the adjustment of matters which affected more than one of the six departments of the Under-Secretaries and the guidance and control of public opinion, a matter which is of the very first importance in connection with the expansion of our trade. The suggestion of a salary of £5,000 a year for this office is a serious departure from established practice. The sum is larger than that paid to existing Permanent Secretaries, while the idea of giving the permanent official the same salary as the Minister under whom he serves will no doubt raise objections. The answer is that trade and commerce cannot be bound by precedent, and that no smaller figure would attract the type of man required for this position. The man who possesses the necessary qualifications would be

able to earn a great deal more than £5,000 a year if he were free to trade on his own account.

Six Under-Secretaries.

(*a*) *Export.* This office undoubtedly calls for a first-class business man, having wide experience of export business. There are probably many partners in our leading merchant houses who even at the big sacrifice of income that would be involved would be prepared to place their services at the disposal of the nation in this new office. The Under-Secretary for Export would have control of the fifty Trade Export Secretaries appointed by the fifty Trade Associations. He would be the medium through which the experiences of different trades would be exchanged, and would be responsible for the maintenance of sufficient export activity in all trades.

(*b*) *Industrial and Scientific Research.* This is a position for a man of science, of whom there are many whose names occur to one. In addition to very broad and catholic views on scientific matters this officer will require to be an expert negotiator, as to his department will fall the work of bridging the gap which at present exists between trade and science. He will direct the efforts of all the trade science and research secretaries, prevent

overlapping, and control the central institution suggested in the chapter which deals with this subject.

(*c*) *Commercial Education.* Here is an opening for a business man, whose duties would chiefly consist of putting the Board of Education and all other educational authorities right on matters affecting the training of the great mass of the population who are destined for commercial careers. The Educational Secretaries appointed by each Trade Association will work under his direction.

(*d*) *Statistical and Financial.* Next to Export this is probably one of the most important of the Under-Secretaryships suggested. The widespread ignorance among British manufacturers on the question of the value of statistics would be the chief difficulty that this officer would have to overcome. It will be his duty to initiate and establish proper costing systems in all trades, and to see that the Statistical Secretaries of the Trade Associations carry them into effect. The understanding of the problem of cost is the foundation of every other problem in business. This officer will also find grave difficulties in the shape of prejudice against disclosing information, a prejudice which is deep-rooted in the English character; but information is essential to the further development of English

business. Rather than suggest more than six Under-Secretaries, I have included statistics and finance in one heading, but experience alone will show whether it is possible to provide for these two subjects in one office. The Financial Under-Secretary would have charge of the many new problems associated with the finance of trade which are bound to arise from combined action, especially combined action in connection with export.

(*e*) *Labour.* The Under-Secretary for Labour would have duties which are entirely new and for which there is no precedent. The nation spends at present a good deal of money on different officials who are in some way or another connected with labour, but there are no existing arrangements for the education of labour in the point of view of capital and commerce. Labour troubles, nine times out of ten, arise from the most outrageous ignorance, sometimes on the part of the working-man, but not less frequently on the part of the employer. Labour is well provided with officials whose duty it is to educate it in the case against capital, but no official exists whose duty it is to put the other side of the case. The expenditure necessary to maintain an Under-Secretary for Labour and a Labour Secretary for each Trade Association, would probably be found to be the most remunerative item in the cost of a Ministry of Commerce. If this office is efficiently

handled the number of trade disputes ought to be considerably reduced.

(*f*) *Exhibitions and Advertising.* The Under-Secretary for Exhibitions and Advertising would of course be the present official in control of the Exhibitions Branch of the Board of Trade. This Branch should be very considerably developed and turned into a general advertising department for British Trade. The nation having since 1914 adopted advertising as a proper official procedure in connection with recruiting, with war loans, and with economy, will not find any difficulty in continuing the same excellent work in the promotion of its trade and commerce.

The Trade Secretaries.

Each trade will be invited to appoint six officials to look after the six questions to which departments have been given above, and each trade will be required to show a practical interest in these questions by paying half the salary of these officials. We shall presently examine in greater detail the duties of each of these offices, but the advantage of having a body of officials definitely engaged in the interests of a particular industry are sufficiently obvious.

CHAPTER IX.

THE MODEL TRADE ASSOCIATION.

One of the reasons which lead the writer to hesitate as to whether the ideal form of Government action in connection with trade would be a full-blown Ministry of Commerce or merely a department of the Board of Trade under a Controller of Trade Associations, is a very strong feeling that Government interference in this matter, while of the first importance, should be very carefully regulated and strictly limited. The real work of organising, extending, and promoting British industries must remain in the hands of industry itself. The initiative must come from within, and all that is really required is just sufficient official acknowledgment to ensure that every trade is tuned up to the full height of its possibilities.

The leading factor in the promotion of British Industry should be the Trade Association. We have already seen how completely most attempts to secure trade association have so far failed. We

have also seen from the vast number of associations of a kind which already exist that the need for associated activity is generally recognised. The present argument is simply that if that association spirit were taken in hand, regulated and encouraged by the Government, it would provide all the energy and force which is necessary to put British trade in a position to compete on level terms with the other great industrial nations of the world.

It is therefore proposed that the Government should endow a Trade Association with a certain amount of official recognition. These recognised associations would enjoy something like the same status that the Approved Society under the Insurance Act now has, and we shall consider in this chapter the conditions under which Government recognition or official status might be granted to a Trade Association.

As will be shown in the further analysis of the subject which is made later on, the Government assistance to Trade Associations will take the form not only of official recognition, but of certain financial aids or money doles. This financial element would give the Government the whip hand in the matter and would enable it to impose very strict conditions upon the conduct of a trade association, the most important of which would be adequate safeguards against the formation of anything in the nature of a trust. A Trade

Association desiring to become the official body for its industry, and to be recognised and supported by the Ministry of Commerce, would have to conform to a number of requirements, among which the following are suggested as the most important:

(*a*) That it represents at least sixty per cent. of its industry in (1) capital, (2) output, (3) workers employed.

(*b*) That it is a non-trading association so far as the home market is concerned, and that it makes no endeavour to regulate selling prices within that market.

(*c*) That it maintains proper central offices and has a properly qualified general manager and staff.

(*d*) That its income from subscriptions is sufficient to provide the expenses for the conduct of its general duties and to pay half the salaries of at least four Trade Secretaries.

(*e*) That its members are all bound to give facilities for the carrying out of its objects, such as the imparting of any information the Export or Statistical Trade Secretary may require.

(*f*) That its constitution, rules and procedure conform to the official model.

The following is a framework sketch of the constitution of a model Trade Association:

SUGGESTED CONSTITUTION OF MODEL TRADE ASSOCIATION.

Chairman: elected by the National Council, who would by virtue of his office be a member of the Advisory Council of the Ministry of Commerce.

The National Council: consisting entirely of members of the trade and elected by the District Committees.

The District Committees: elected by the members of the Association in various districts. Some trades which are spread all over the country would require to have numerous District Committees, while others might manage with a lesser number. The District Committees should be affiliated to the Chambers of Commerce where these bodies exist, and thus act as a link between official Trade Associations and the organisation of the Chambers of Commerce.

Working Committees: to carry on the work of the six departments represented by the Under-Secretaries in the Ministry. These Working Committees would be appointed by the National Council on the nomination of the District Committees.

An adequate Salaried Staff, the chief of which would be a General Secretary or Manager, and which would include six Trade Secretaries dealing with (*a*) Export, (*b*) Industrial and Scientific Research, (*c*)

Commercial Education, (*d*) Statistics and Finance, (*e*) Labour, (*f*) Exhibitions and Advertising; these six Trade Secretaries working in connection with the six Committees above mentioned.

WORK OF THE NATIONAL COUNCIL AND DISTRICT COMMITTEES.

The following are a few of the heads covering the work that would have to be done by the District Committees and National Council of each Trade Association:

1. To educate the trade in the necessity for developing export business, and to encourage and foster a spirit of co-operation between manufacturers for this purpose.

2. To advise the Government on matters affecting the interests of the trade.

3. To watch over the interests of the trade as they may be affected by any legislation or Government or public action that may be contemplated from time to time.

4. To direct and control the Working Committees of the Association. To make recommendations to these Committees as to the work they should undertake, and to receive their reports.

5. To co-operate with other Trade Associations in matters which may be of mutual interest.

6. To appoint Arbitrators to settle trade disputes.

7. To settle matters connected with the finance of the Association.

Work of the Export Committee and Secretary.

The Export Committee, which would control the energies of the Export Trade Secretary and work under the direction of the Export Under-Secretary of the Ministry of Commerce, would undertake the following duties:

To appoint Trade Commissioners or Representatives to represent the trade in each overseas market of sufficient importance.

To arrange for co-operation between the Foreign Office, Commercial Attachés, and Consuls, and the Commissioners or Representatives of the Association.

To arrange for the distribution of export orders between the members of the Association.

To make such financial and credit arrangements as may be necessary to deal with the problems of credit to foreign customers, and if need be to promote a limited company or other corporate body to undertake this work.

To co-operate with other Trade Associations particularly in exchanging information as to the suitability of markets and the credit of buyers abroad.

To arrange conferences of members interested to discuss joint action in connection with prospective business.

Work of the Industrial and Scientific Research Committee and Secretary.

The Industrial and Scientific Research Committee would undertake *inter alia* the following duties:

To ascertain full particulars of all scientific work now proceeding at Universities, Colleges, Public Laboratories, and other similar institutions having a bearing on the Association's trade.

To make all these facilities known to the trade.

To act as intermediary between existing scientific institutions and members of the trade.

To supply these institutions with all the trade information and assistance they may require.

To promote scientific research bearing on the industry—(*a*) by arrangement with existing scientific bodies; (*b*) by the appointment of special scientists for the trade.

To arrange for facilities for industrial and scientific research in the workshops of the trade.

To make recommendations to the National Council in regard to money grants to Universities, Technical Colleges, and other institutions with a view to facilitating special researches in connection with the trade.

To advise members in regard to particular researches or tests which they may wish to undertake.

To develop co-operation between trading firms on the one hand and Universities and learned societies on the other, so as to establish such "schools of thought" as exist in the research department of great continental and American industrial undertakings, but which cannot be fostered in the comparatively small establishments and smaller research departments of most British manufacturing firms.

Work of the Commercial Education Committee and Secretary.

The following programme of work for the above Committee is taken in its entirety from the Report of the Engineers' Club of Manchester.

To advise Government Departments (Board of Education, Home Office, Civil Service Commission, etc.), Local Education Authorities, and the Governing Bodies of Schools, Colleges, and Universities, in regard to the education of members of the trade, and to advise members in regard to the education of their employees, and in particular (*a*) to nominate representatives of the Association to serve upon the governing bodies, or upon advisory Committees of the governing bodies, of Universities and

Technical Colleges of university rank. (*b*) To advocate—

1. The establishment of new schools and colleges where required.

2. The provision of suitable courses in existing schools, colleges and universities, and especially the provision in certain universities of technical-commercial courses which, when combined with practical experience, shall prepare future commercial representatives of the trade to understand the customers' interests, the condition and language of the country in which they trade, the merits and uses of goods, so that they may undertake successfully the selling part of the trade.

3. The co-ordination of all trade schools and colleges, and in order that this co-ordination may be effected and the system thus formed may be thoroughly democratic,

4. The establishment of an adequate system of scholarships and bursaries, so as to secure that no person, who, if he passed through a certain course, would be needed and demanded to fill some place in the industry, should be prevented from taking that course for want of a scholarship or maintenance allowance.

5. To encourage members in each area to establish, in co-operation with the Education Authorities of the district, a scheme for the advancement of apprentices ; and to urge every member to provide

at least such minimum means for encouraging apprentices as are prescribed by the scheme in force in their district.

Work of the Statistical and Financial Committee and Secretary.

A very great deal of the statistical work which is now undertaken by other offices of the Government in connection with trade might be transferred to the Ministry of Commerce in order that the results produced might conform more closely to the requirements of individual industries. Many of the statistics now published are framed in such a way as to apply to so broad a field of industry that they cannot give that detailed assistance to individual trades which is of such vital importance in the use of these figures. The following brief description gives but a mere idea of the most important work that would be undertaken by the Statistical and Financial officer of each Trade Association and the Committee working with him. These Committees would have—

To collect and publish trade statistics at present collected and published by the various Government Departments.

To collect and publish regular reports as to costs, ratios, production, visible supplies of materials, prices, markets, labour, stocks, etc. The sort of information, for instance, which appears

every week in connection with the electric lighting industry, should be compiled and published in every trade.

To prepare and publish a costing system for every branch of the trade, and to amend, alter, and adjust this system from time to time as required.

To make arrangements for the better financing of the industry both in manufacture and in relation to foreign trade.

The work of the Labour Committee Secretary.

The work of the Labour Secretary and the Labour Committee would in a general way be to watch over the interests of labour and keep in such close touch with labour opinion as to see that it was formed with due regard to the interests of capital and of the industry generally. Its duties might be:

To watch over the opinions and interests of labour.

To educate labour in the objects of the industries in which it is engaged.

To study and report upon systems of profit-sharing or other arrangements which shall ensure a union of interests between labour and capital.

To educate employers to a proper understanding of the labour point of view.

To negotiate with Trade Unions for the promotion of these objects.

Work of the Exhibitions and Advertising Committee.

The Ministry of Commerce would take over from the Board of Trade the Exhibitions Branch which has done such excellent work in the last few years, and would continue that work in a more comprehensive manner. The Exhibitions and Advertising Committees of each Association would undertake—

To arrange for joint trade exhibits at all foreign exhibitions.

To arrange for the permanent exhibition in leading centres abroad of samples of the trade's productions.

To charge itself with any work which would have the effect of advertising the industry in foreign markets.

In this brief sketch of the functions of the Model Trade Association and its various Committees and Officers it has not been possible to give more than the barest indication of the outlines of the scheme. We shall proceed to discuss in separate chapters the chief considerations which would come within the province of each of these Committees.

Many of the suggestions made above have been lifted bodily from the excellent report of the Engineers' Club of Manchester on the organising of the British Engineering Industry, to which reference has before been made.

One thing becomes obvious to any reader of this chapter who is acquainted with Trade Associations as at present constituted. The current notions on the question of subscription will have to undergo very radical alterations. The odd guinea or two which is now considered a sufficient amount to secure membership will have to be multiplied many times over, but as the ideal association will actually bring orders as well as other tangible benefits to its members, a heavy subscription will be no objection. Direct touch with every foreign market, and proper machinery for the use of official facilities, are advantages which alone might well be worth hundreds a year to most trading houses.

CHAPTER X.

THE EXPORT TRADE OF THE FUTURE.

We have already seen in the brief outline given in Chapter VI some of the principal features of the present export trade muddle. The chief bars to expansion are the absence of organisation, the practice of secrecy, and the use of private marks, relics of mid-Victorian trading which the shipping houses have succeeded in perpetuating. It has been shown that the power of the shipper and the control which he exercises over British export trade, while of the greatest possible advantage when properly used, acts in reality as a very powerful barrier to its further proper development. This somewhat old-fashioned system of the "shipper" has, in practice, tended to help foreign traders, rather than our own, to make full use of all the facilities in finance and shipping which Great Britain has built up through the centuries. It also renders it extremely difficult, if not impossible, for any particular trade to undertake special propaganda work in any particular market.

An indication has also been given of the enormous power of Export Associations such as those which flourish not only in Germany and America but in all continental exporting countries, especially in Sweden, Norway, and Switzerland. While these countries have adopted systematic and scientific means of promoting a foreign demand for their productions, we have been content to rely upon machinery invented before they came into business, a machinery which is designed to deal with a demand which already exists. We have no organised arrangements for the creation of a new demand for British goods.

We have also in the same chapter summarised the oft-expressed discontent at the inadequacies of our Consular Service; inadequacies the blame for which is with characteristic British inconsistency laid at the wrong door. We have seen that the inability of the Consuls to do more than they have done in promoting British interests is not so much due to lack of desire or ability on their part as to a lack of proper support from the trades themselves. The preposterous idea that any one person can adequately represent the whole of British industry in any particular market requires to be abandoned.

In considering the possibilities of the export trade of the future it cannot be too emphatically stated that Britain possesses at least three tremendous advantages which, if properly used, place the rest of

the manufacturing world under considerable disabilities. These advantages are far greater than any that can be secured by means of tariffs or other artificial arrangements. The first is, of course, the position of London as the money market of the world. The bill on London is the currency of international trade. London facilities are used by the traders of every nation. A commercial transaction between, say, China and Peru, is nine times out of ten settled by means of a bill on London. It has even been shown that German credit, which is supposed to be so lavishly extended to buyers in neutral countries, is in the end made possible by means of financial assistance given by London to Berlin.

The second great advantage which we enjoy comes from our position as Mistress of the Seas. If the manufacturing side of our activities were as well organised as the shipping side, and these two great forces were made to work in harmony, British trade would possess a practical preference of far greater value than any form of fiscal adjustment.

Our third advantage—one which should perhaps be placed first—is the reputation which this old country still enjoys, the world over, for a square deal. All the efforts of foreign competitors, and even the better qualities and lower prices which they have often been able to offer, have never succeeded in seriously shaking the position of the

Englishman as the safe business man. It may be said that all these facilities are freely placed at the service of the foreign producer, and they are each in a way responsible for the large amount of business which we do in foreign merchandise.

By reason of one or other of these three points it suits the continental manufacturer to offer his wares through the London market. This process is immensely facilitated by the action of our own merchant houses, not only our export merchants, but the great wholsesale houses which control our home trade, and no way exists of dealing with this weakness or abuse except under a proper system of trading organisation.

With the aid of his own Trade Association, the bill on London, the English shipper, and the British reputation, the foreigner has often been able to beat us in the neutral market. So long as the merchant house is free to deal with all and sundry, and is in the strong position of being able to put every British manufacturer in competition with every other British manufacturer, and so long as no manufacturing associations exist that are able to put any restraint upon the merchant, this class of abuse is bound to continue.

In the scheme outlined in Chapters VIII and IX, we have assumed the existence of fifty recognised Trade Associations, and of fifty-one experienced officials charged with the special duty of promoting

British export trade. The Under-Secretary for Export of the Ministry of Commerce would be at the head of this band, and would control the energies of fifty Export Trade Secretaries representing the Associated Trades and drawing their salaries half from the Government and half from those trades.

These fifty-one secretaries would control the work of a much larger band of travellers or trade commissioners, and a very large and efficient selling force would thus be created.

It is true that in this way another "army of officials" would be brought upon the scene, but surely British trade justifies such an expenditure. The whole organisation as here outlined would not be so big or so expensive as the selling staff of any one of the leading American Trusts, and as it got into working order would tend to increase and expand. It should be remembered that we are here discussing a great increase in British production, which would be useless unless the necessary arrangements are made for the disposal of the greater output.

It may be convenient to endeavour to describe the working of our proposals in rather more detail, and for that purpose to take a particular industry and set out in a brief way the probable procedure in that particular case.

It we select for the purposes of this example

the Furniture Trade, we shall have a very excellent picture of the possibilities of associated action. The Furniture Trade, in common with all British industry, enjoys the three great advantages to which we have already referred; but it also enjoys another advantage which should place it in a position of pre-eminence the world over, and enable it to undertake a very extensive export business. English is the only language in which the word "home" occurs. The English home is the pattern for every similar institution the world over. Whether for this reason, or because of the excellence of the articles produced, English furniture takes precedence over any other furniture in almost every part of the world. Wherever civilisation has reached the stage where it calls for tables and chairs and bedsteads, the English ideal is held up as the one to follow. English furniture styles are known by name in every market. The only other styles in Furniture that have any reputation at all come from France, but, while the French designs are largely copied, their productions lack that reputation for stability and durability which is associated with the English-made article. The Furniture Trade therefore possesses four great sentimental advantages which should make it extremely easy for a large export business to be conducted.

Turning to the Board of Trade Returns for

1913—the last full Peace year—we have the disappointing discovery that the total exports of English furniture amounted to £1,274,759, a figure which could surely be multiplied by five if proper advantage were taken of the opportunities that present themselves. Estimated by value, we actually export more than twice as much oilcloth as furniture.

The Furniture Trade has of its own accord recognised the necessity for some kind of organisation, and this recognition has taken the form of several Trade Associations. These bodies are all subject to the various weaknesses that have been outlined in the chapter on the English Trade Association. There are probably half a dozen organisations all endeavouring to represent the interests of the Furniture Trade; chief among these is the National Wholesale Furniture Manufacturers' Association, a body of recent origin which has met with some success in dealing with labour problems. It has not, so far as the present writer is aware, attempted any co-operative scheme of exportation. It is certainly more representative than any other association in the trade, but it does not include in its membership more than twenty per cent. of the whole industry. There are in addition the Cabinet Trades Federation, the Furnishers' Chamber of Trade, the Furniture Section of the London Chamber of Commerce, and other similar bodies,

to which must be added the Bedstead Federation, an organisation of an entirely different kind. This last federation has already been mentioned as one of those English Trade Associations that represent a serious attempt to promote co-operative action. It embraces the great bulk of the Bedstead Manufacturers, but it is subject to the grave objection that it controls selling prices in the home markets and comes dangerously near to the American Trust in many of its activities.

To come down to our suggested scheme of national organisation, the new Minister of Commerce would call upon the Furniture Trade to form itself into a Trade Association, and if it could comply with the requirements specified for the model association it would be recognised and secure the benefit of Government assistance. This Association would, as part of its programme, appoint an Export Committee and an Export Trade Secretary; the latter, by reason of the fact that his salary was half paid by the Government, would become the link between the trade and the Ministry of Commerce. The main duty of this Export Committee would be the preparation of practical schemes for promoting export trade with every foreign market. The Committee would consist of members of the trade with experience of shipping orders, and the Secretary would probably be some person selected from the ranks of the London shipping houses,

having wide experience of the details of export business. This Export Trade Secretary, armed with Government authority, would require every member of the trade to furnish information, figures, values, quantities, class of export business already done in English furnitire. This information would be collected under proper guarantees as to confidence and secrecy, and when the whole mass of it was put into proper form, the totals and the conclusions drawn from them would be placed before the Committee. The Furniture Trade would then, for the first time in history, have a clear idea of the position of its industry in relation to every market in the world. They could then proceed with the most vital and important part of their duties—the appointment of commissioners or travellers to every market where our trade was weak or where the trade of other countries was strong. The duties of the Export officer in the collection of statistics would of course extend to the statistics relating to other countries, so that it would be possible to compare the quantities of particular classes of goods absorbed in Spain from Great Britain, from Germany, from America, from France, and so forth. The problem would then arise as to how to find the necessary money to pay and equip travellers or commissioners of sufficient standing to properly represent the British Furniture Trade in various markets. And here the

question of a Government subsidy would begin to arise. There is ample precedent for the paying of Government money as an encouragement to trade. Subsidies can be granted to an Association which would be impossible in the case of individuals. The present financial assistance given to the British Cotton Growing Association is only one of many examples that could be quoted. A more recent instance is a grant of £10,000 given to the Staffordshire Pottery Trade for research work. The Government need not spend a great deal of money in this way. The function of the Government in the matter should be to set an example to the trade itself. If a beginning were made with a grant of 2*s.* 6*d.* per £100 to a Trade Association in respect of exports made by that association, the present Furniture export would cost the Government the paltry sum of £1,593 per annum. But the payment of this small amount to the Furniture Trade Association on the strict condition that the whole of it was spent on propaganda work abroad would have the effect of drawing from the pockets of the trade itself a very much larger amount for the same purpose. These trade commissioners or travellers when appointed by the Furniture Export Committee would have the advantage of such official assistance as is now unobtainable. The Furniture Trade Export Secretary would arrange with the Ministerial Under-Secretary for Export

for introductions, on behalf of these commissioners, to the British Embassies. It should be noted that these trade commissioners would have to be men of sufficient social eminence to warrant an introduction to the British Ambassador. The importance of this "social" element in foreign trade is not sufficiently recognised, and in case it should be thought that the point is unduly laboured here, a recent example of American practice may be mentioned. The *Times* of April 18th, 1916, gave an account of arrangements which had been made by the Chicago meat packers as to shipments to Great Britain, the packers having sent to London as their representatives Mr. Chandler P. Anderson, late legal adviser to the American State Department, and Mr. Lloyd C. Griscom, late United States Ambassador in Rome.

One of the outstanding differences between English and German methods in the past has been noticeable in the fact that while the German emissary, with the wealth of an association at the back of him, has enjoyed all the advantages which come from an introduction to society through the German Embassy, the much cheaper, and consequently impecunious, English traveller has had to content himself with such assistance as he could secure in the lower social world which is associated with the Consular office. These new trade commissioners would be furnished with all the existing

information in connection with their trade and their market. No known advantage would be inaccessible to them, and if the social side of the business is put on to a proper level, the leaders of society in every country being the British Ambassadors, they would take precedence over the trade commissioners of any other nation.

One of the first things that these trade commissioners would have to report upon would be the establishment of depôts or warehouses for the display and stocking of British furniture. Writing of German trade supremacy in Spain, a contributor to *Everyman*, March 31st, 1916, says: "Lower prices, longer credits, and a more sympathetic and business-like attitude towards the demands, necessities, and even whims of customers, are often put forward in explanation of Germany's success in ousting British trade from Spain. Like tariffs, bonuses, and cartels, they undoubtedly play their part, but it is a minor part, because before all these, and incomparably more determinant, stand those great depôts, shops, and warehouses, so admirably stocked and equipped, to attract and retain Spanish customers, and the British trader must, perforce, meet the German on this his own ground if he would seriously set about the task of 'capturing German trade' in Spain."

The same writer informs us that "In a compara-

tively small town of Southern Spain, the centre of a great agricultural area, a German house has set up in a prominent position in one of its main streets an establishment packed to the walls with every type of modern agricultural machine or implement likely to be of use to the landowners and farmers of the district. There a potential customer can inspect the latest type of ploughing, threshing, reaping, sowing, binding, and other imponderabilia of agriculture. A staff of trained men, speaking fluent and intelligible, if rough, Spanish, are on hand to explain any knotty points in the working of the machines, and the economies that can be effected by the displacement of older and more obsolete methods. If necessary, trials are arranged, the machine shown in actual working, and its merits brought home not only to the prospective purchaser but also to the scores of neighbours and potential buyers attracted by curiosity to the test."

We have so far considered the possibilities of the Furniture Trade Export Committee without touching upon a development which is extremely likely and from many points of view highly desirable—the establishment of a limited company, trust, combine, or other corporate body, for the definite purpose of conducting the export of British furniture. It has been shown that, while there are grave objections to the formations of trusts

in connection with home trade, nothing but advantage can be claimed for the existence of combines when export trade alone is considered. The many difficulties which would arise in connection with the placing of inquiries and the division of orders secured by a trade commissioner among independent members of the Trade Association, would be automatically solved if the trade were to constitute itself a Trust for export purposes. These difficulties are by no means incapable of solution in the more loosely formed Association, but they disappear altogether in the case of a Trust.

The Trust would also settle without the least difficulty the question of credit, of which so much is heard in connection with export trade. To put the matter in its simplest and most modest form, let it be supposed that the Furniture Export Trust is registered with a capital of £200,000; £200,000 be it noted being sufficient to give an average of two months' credit on the total export business now conducted. The sum is quite insufficient for any big developments, but it will serve our purpose as an illustration. Two hundred furniture firms would subscribe £1,000 apiece of this capital, and one shilling in the pound would be called up. Each firm would thus have to be out of pocket to the paltry extent of £50. The uncalled capital of the Furniture Export Trust would thus be £190,000, a credit which would enable it to secure from the most

straight-laced of British banks all the financial help that it required. Foreign trade passed through this Trust could arrange terms of credit to suit the customer. The Trust would take a small percentage to meet expenses and to cover the risk. By the pooling of the whole of the risks of the Furniture Trade through this one body bad debts would be spread over the entire community, and credit could be given where under the individualistic system it is impossible.

This development of the Trust idea is not put forward as any essential or necessary part of the present scheme for the organisation of trade through Associations under the guidance of a Ministry of Commerce. It is a development which is extremely likely to take place, and which would tend towards a working perfection. It is, however, a development which might well be left to arise naturally from the formation of Associations, and which need not occupy much of our space or attention in considering the far greater and more necessary problem of organisation and co-operation.

The urgent need for associated action in relation to export cannot be better illustrated than by a reference to what has already happened in connection with the Iron and Steel Trades. The following concise history of the matter is taken from Mr. H. H. Bassett's book on "British Commerce."

"The British iron and steel trade has probably

suffered more from lack of organisation than any other industry in the United Kingdom. On the other hand, competing countries have displayed an increasing enthusiasm for organising their steel trade on co-operative and remunerative lines. As a result we have lost the long lead which we at one time held in the production of pig-iron as well as in the value of our iron and steel exports, although from every point of view we may be said to enjoy a more favourable physical position than other countries. The world's production of pig-iron in 1910-12 was 68,000,000 tons, of which the United States was responsible for 27,000,000, Germany for 16,000,000, and Great Britain for 9,000,000. Thirty years ago the total production was 20,000,000 tons, of which Great Britain contributed 8,000,000, the United States 4,000,000, and Germany 3,000,000. In iron and steel the world's export trade is over 16,000,000 tons per annum, that is, double the quantity of ten years ago. Twenty years ago Great Britain was an easy leader with an export of three and a quarter million tons, whilst Germany and the United States did not reach a million tons each. In 1912 Germany led with over five and a half million tons, and Great Britain was a bad second, being nearly a million tons behind. These are the facts of the British iron and steel trade expressed in figures. It will be more profitable to accept them as they stand rather than attempt

to explain them away by arguments concerning bounties and tariffs, however much we may sympathise with the British steel manufacturer in the tariff difficulties with which he has to contend. Physically, Great Britain has an advantage over every other country in the manufacture of steel. It has coal-fields, abundant supplies of iron ore, limestone, blast furnaces, and steel mills in close proximity to each other. It has innumerable ports and countless ships for transport. The scares some 'experts' have raised by bewailing the limitations of our coal and iron supplies may be dismissed as without foundation. New seams of coal are being discovered every year to take the place of old ones, and virgin deposits of iron ore are being opened up as rapidly as old reserves are being depleted. In the matter of coal and iron ore deposits we are, in fact, better off than we were five and twenty years ago. Physically, therefore, the United Kingdom suffers no drawbacks in comparison with other countries. Financially, the industry has little to complain about. There is abundant capital for genuine enterprises in this country even after vast sums have been sent abroad; there is so much labour that we can afford to let thousands of skilled workers emigrate each year; and we have at the time of writing a 'boom' in the shipbuilding trade such as we have not seen for many years. Yet the volume of our steel trade languishes whilst

that of Germany forges ahead. We should produce 15,000,000 tons of iron a year instead of 10,000,000, and at least 12,000,000 tons of steel instead of 7,000,000. We should produce all that we require for ourselves instead of having to buy 2,000,000 tons, and in view of our trade connections all over the world, we ought easily to do the largest export trade in steel and iron goods of any nation in the world. The explanation lies in the lack of organisation from which the British steel maker suffers.

"Mr. T. Good, a recognised authority on the subject, writing on the organisation of German steel manufacturers, says: 'Bankers, producers, and shippers have co-operated for the advancement of German trade in a way that ought to put Britishers to shame. The syndicates in the iron and steel group of industries have worked wonders. The producers of each product, from coal and ore to nails and sewing machines, have combined in a network of syndicates. The plan has differed altogether from the Trust system of America. A firm producing half a dozen different productions has been a member of as many syndicates, and not a unit of a single corporation. The general plan has been for the officials of the syndicates to control business, while the manufacturers have attended to the efficiency of their plants. Each works has been visited, its location noted, its capacity of production and any special aptitude for particular classes of work duly

recorded. Prices have been fixed, orders taken and allotted, and shipping arrangements made by the syndicates. Trade opportunities have been watched in every part of the world by the experts of the syndicates, and many matters attended to in the interests of the constituents better than the individual manufacturers could do for themselves. Raw materials have also been purchased on the co-operative plan. Not only have shipping costs been kept down by exporting in bulk co-operatively, but transit distances have been reduced to the shortest possible. For example, an Austrian order would, other things being equal, be given to a Silesian firm, while a British, or French one would go to a Westphalian shop.'

"Mr. Good does not deny that the use of the bounty system has been of great value in assisting German manufacturers to get into markets formerly regarded as British preserves; but bounties alone have not enabled Germany to increase its export of steel by ten times that of fifteen years ago. The enormous growth is a tribute to organisation."

Maurice Millioud, in "The Ruling Caste and Frenzied Trade in Germany," gives us the following picture of trade associations in that country:—

"The Germans have forged two weapons in the interests of trade, the like of which have never before been seen: organisation and credit

"As to organisation, the financier, holding an interest in competing firms, set himself to reconcile their interests by means of working agreements. Thence the system of 'Kartelle.' These are understandings between firms varying as to the form they take and their time of duration, which to-day control the productive activities of every kind; for instance, mining, chemical manufacture, the electrical trades, the sugar trade, and the metal market.

"In 1902 there were three hundred such, and of late years their number has increased to more than four hundred. Competition continues, but rival firms enter into agreements among themselves to the end that they may keep the consumer in their power, settle among themselves what discounts shall be allowed him, what rebates, what rates of interest shall be paid, what commissions given, and so forth. Also, understandings with a view to sharing among them big municipal contracts, instead of entering into competition for them.

"Next, they organised a method of collecting all orders through a central office, and from it distributing them among the manufacturers. Output was controlled, stoppage of work, competition and fluctuation in prices were avoided.

"Here we have a system of very modern growth. The cartel is not a trust in the American sense, it

is indeed more flexible—the various houses taking part do not become one. They even, to all appearance, are rivals, or continue at least to compete with one another in those fields to which the cartel does not apply. Thus they forestall any protests that the public might make."

CHAPTER XI.

INDUSTRIAL AND SCIENTIFIC RESEARCH.

THE proper understanding of the problems of industrial and scientific research is one of the essentials to any attempt to develop or expand British industry. The criminal neglect of this subject on the part of our trade generally, and the almost complete separation which exists between trade and science, have been at the bottom of our difficulties in the past and have allowed foreign competition to get ahead of us. "The fundamental principle on which industrial research rests," says Mr. A. P. M. Fleming, "is that no industry can make progress without the continual addition of new knowledge. In earlier days this new knowledge was provided by the growing experience of the individual workers. This, together with results of the efforts of occasional inventors, ultimately became the common property of the industry. With the increasing complexity of industry and more exacting competitive conditions, this new knowledge became increasingly difficult to provide, until far-seeing capitalists appreciated the need

for organising means and using every facility that science affords to provide a continual influx of knowledge. These men at the same time appreciated that sooner or later every scientific discovery finds its use in industry. It is along such lines that modern industrial research has developed, and its use in this country is necessary because it depends on this fundamental principle, and not merely because other countries have already taken advantage of the facilities it affords. While this is so, some guidance can be obtained from the progress our competitors have made. In Germany, for instance, the important feature arising from industrial research has been the great appreciation shown by manufacturers of the benefits to be obtained from the application of science, and the absorption into their industries of very large numbers of highly trained technical men. Particularly have the benefits of industrial research been seen in the chemical and electrical industries. In the States an enormous amount of industrial research has been carried out by individual firms."

Apart from the efforts of individual firms in America, a good deal of important research work in connection with industry has been done by various public and semi-public institutions. Among these may be mentioned the Bureau of Standards and the Mellon Institute of Industrial Research, Pittsburg.

The 1916-7 Budget, which provided over five

hundred millions of revenue for various national purposes, included the sum of £40,000 "to promote the development of scientific research, especially in its application to trade and industry." The importance of industrial and scientific research is not unknown in this country, although so little is done to put it upon a systematic and productive basis. In July, 1915, the Minister of Education appointed an Advisory Council for Research, and this body and the work it has performed would form an excellent nucleus for the office of the Under-Secretary for Industrial and Scientific Research of the suggested Ministry of Commerce.

The best method of proceeding would probably be by the foundation of a central institution so that advanced research work could be carried on under central control. The materials, tools, and processes which were common to any industry would be considered in such an institution, and efforts devoted to improving them for the common benefit of the industry.

Such an institution would comprise a laboratory for each of the great industries—engineering, shipbuilding, soap-making, dyeing, rubber, paper, metal, and textile manufacture, mining, etc.—housed in a large central building. Much of the work done would be along lines of pure science investigation so as to ensure priority of new applications in industry. Patents would be taken out

on behalf of the Government, and manufacturers in this country or the Colonies licensed to manufacture at a nominal charge.

Among other advantages work could be done without the overlapping which inevitably occurs among a number of different institutions, and which results in great lack of economy. Since one research frequently leads to others quite unsuspected originally, if all the work were done in one building fresh investigations could be carried out with the least loss of time and the greatest possible efficiency. It is of the greatest possible value to have a number of men engaged in research problems housed in one building, where opportunitues arise for frequent meetings.

Several attempts have already been made to organise research work, notably by the British Association, the last being at a conference of learned societies called together by this body in March, 1916. An attempt has in this way been made to set up an exchange of opinions between a score of learned societies and to promote the co-operation of those interested in scientific work in its application to industry and trade. In support of the theory that this can best be done through the means of trade associations, Dr. Garnett says, speaking of the work of the Advisory Council, "There are two methods by which the Advisory Council may secure the necessary 'touch' with

industrial interests. The better of the two is the voluntary formation by the traders themselves of associations or committees to advise the Council and work in conjunction with it and, to some extent, under its guidance, while they themselves enjoy the full confidence of the trades they represent. The other method is the formation of committees for particular trades or groups of trades by the Advisory Council itself, which would invite leading members of an industry to form a committee which would come between the Advisory Council and the trade."

At the present moment a very considerable amount of scientific research work is being undertaken in this country, but in very few instances is it definitely connected with trading interests, and the success of the Germans and Americans in commerce is admittedly due to the closer co-operation which their better organisations have secured between men of science and men of business. Research scholars are appointed by the Commissioners of the 1851 Exhibition, but more research professors, more research scholars, and more laboratory accommodation, with more liberal equipment, will undoubtedly be required if we are to hold our position in the world.

Among the work at present being undertaken may be mentioned that of the Leather Sellers' College in Tower Bridge Road, London, where

research and scientific work is so closely approximated to the needs of commerce that facilities exist for the tanning, dyeing, and dressing of skins ready for the market. Similar conditions obtain in the Tanning Department of the University of Leeds, while the London County Council School of Photo Engraving and Lithography is another scientific institution equipped upon a basis which enables it to undertake experimental work under actual commercial conditions. Steel manufacture is thus treated in the University of Sheffield, while the Imperial College at South Kensington has provision for several branches of metallurgical work. The Manchester School of Technology is provided with laboratories on a sufficient scale to undertake cotton spinning, weaving, calico printing and paper making under factory conditions. The same may be said of the attention given to the Woollen industries in the University of Leeds and at Bradford. The National Physical Laboratory at Teddington is, of course, the premier scientific research institution of the country, and is equipped in a sufficiently liberal way for work to be undertaken on a scale that makes if of commercial value.

Apart from these examples, most of the attempts at scientific investigation in this country are upon such a scale as to give them a very remote connection with commerce and industry. Experimental

work must be conducted under factory conditions if it is to have a direct commercial application.

In advocating the formation of industrial and scientific research committees by every Trade Association, and the appointment of a properly qualified officer to direct and control this work, we are merely giving further expression to a need which has for years past been emphasised by Dr. William Garnett, one of our leading educational experts. "Trade Committees, either local or national, should be formed," he says, "whose business it should be in the first instance to ascertain what facilities already exist in the universities or technical institutes for conducting investigations connected with their trade, and to negotiate with the Advisory Council respecting the provision and maintenance of any other institution which may be necessary, especially for the purposes of adaptation and standardisation. Their paramount work would lie in ascertaining from the members of their trades the problems requiring solution and in apportioning these problems to the suitable institutions and the appropriate workers."

It is estimated that in the chemical manufactories of Germany there is, on an average, one university trained student to every forty workpeople, a ratio of science to labour which it is believed is unequalled in any other country or in any other industry. If this statement be true, is it any wonder that Ger-

many has secured the world's monopoly in dyes and other industries which depend upon chemical research and chemical education? A Trade Association could do a great deal in this important matter that is quite out of the question if left to individual activity. In the first place it could pay a decent salary and secure the services of a really competent scientific expert to undertake the work of organising this branch of the Association's activities. If the Trade Associations generally were to adopt the plans here suggested and recognise officially the claims of science upon trade, openings would be created for scientific men and many more good brains would be attracted to this class of work. At the present moment the student who decides to devote his life to scientific investigation has to enter on his career with the full knowledge that all he may get out of it is personal satisfaction. There is no more disgraceful blot upon our present system than the miserable salaries and miserable prospects which we offer to the men of science.

The recent action of the Pottery Trade furnishes us with an example which fully justifies everything suggested in this chapter, including the expenditure of public money. As soon as war broke out a demand arose from various markets for different classes of pottery which had hitherto been made in Germany. The English pottery manufacturers then, and then only, awoke to the fact that

there were differences in English and German porcelain with which they were not fully familiar. This is not the place to go into the technical questions of hard paste or felspathic porcelain, but it is sufficient to state that the Government have made a grant of £10,000, and with this money the potteries have set about research work on a practical scale. For this purpose it is proposed to equip a factory which will be managed by the staff of the Pottery School at Stoke-on-Trent, under the direction of the well-known ceramic chemist, Dr. J. W. Mellor. The object of this work is to produce a hard paste porcelain body distinctly British in its composition and in the origin of its component materials. For instance, the necessary supplies of felspar are obtainable from Canada. To round off the story it should be noted that similar experimental factories already exist in France and in Germany, at Sèvres and Charlottenburg.

The general public or national interest in scientific work which has for a generation been one of the characteristics of Germany is no doubt responsible for a good deal of the success which that country has secured. Scientific work in Germany has not only been well organised, but it has had the advantage of public recognition, and the nation as a whole has been proud of it. Nothing short of the establishment of Trade Associations, whose duty it will

be to concentrate the attention of the trades upon these important matters, will produce that same moral backing for English scientists.

Coming to the question of finance, apart from the expenses of the officers in connection with this work, it is not likely that much additional money will be required beyond that which is already spent on the subject. The most urgent need is for organisation. A good deal of scientific work goes on without any relation to trade at all, and there is little or no co-operation between manufacturing and science. The Trade Associations would have the effect of remedying this weakness.

There are some who argue that scientific research work can be made to pay, and if conducted by properly organised trade associations there is a good deal to be said for this view of the case. One of the obvious difficulties in connection with the work of a man of science who is the servant of a trade arises when it comes to distribute the fruits of his labour. An improved method, a possible economy, a new material, or a new invention is discovered, and it becomes necessary to decide who is to have the benefits arising therefrom. It has been suggested that these improvements could be covered by patents, the patents being the property of the Trade Association, and the manufacturers could be licensed to take advantage of them. The fees paid in connection with such licences would be

more than sufficient to cover all the expenses of the work done.

This, then, is the case for the establishment of a Ministry of Commerce so far as industrial and scientific research is concerned. The proposal is that the Ministry should be provided with a properly qualified Under-Secretary for Industrial and Scientific Research, and that he should control the efforts of similar officials attached to each of the trade associations.

CHAPTER XII.

COMMERCIAL EDUCATION.

THE imperial and local taxpayer provides at present the sum of £34,000,000 per annum for the education of the population of these Islands. If to this amount are added the further sums spent upon private education, the numerous schemes of a semi-public character which are not a charge upon rates and taxes, charitable institutions, trade and technical colleges and educational institutions of all kinds, it is probably no exaggeration to say that we spend £1,000,000 a week upon education. Most of this money is expended upon children who have to look forward to a business career either as manual or clerical workers. Instead of being charged to the account of the ratepayer and taxpayer, this million a week ought in equity to be largely paid by the proprietors of the ephemeral press, the publishers of cheap novelettes, penny dreadfuls, and the whole mass of lower class literature which now floods the country. Few persons will be found to deny that the education

given, apart from creating a very wide market for this class of enterprise, is of doubtful value. However that may be, one thing is certain, that the boy or girl on entering trade or business after having reached the necessary statutory standard of education has then to begin to learn his or her trade.

Among the most important work which the Trade Associations of the country would undertake under the guidance of a Ministry of Commerce would be the direction of a large part of this educational effort and expenditure into channels which would be of service to our industries.

A well-known American, the head of a large and successful manufacturing business, who has spent twenty years in this country, has made the definite statement that in the whole of those twenty years he has never yet met an Englishman who was master of his own trade. That statement is, of course, a gross exaggeration, but in a broader sense there is a considerable amount of truth in it. We none of us begin to think about business or trade until our minds have passed their most receptive stage, and then, too late, we endeavour to forget most of our so-called education and to apply ourselves to the more serious work of life.

The whole attitude of our educationalists towards trade must be altered, and this can only be done by an organised effort. The teaching profession

do not deny the claims of trade; they generally merely ignore them. If the question is debated with some head master he will discuss it in a sympathetic if a distant way. The necessity for doing something in the matter is, however, generally recognised, and since war broke out the University of Cambridge itself has awakened to this need. It has published four books for boys as an "industrial and commercial" series, which purport to tell the story of our leading industries. The general preface to these four books is worth reprinting, because it illustrates so admirably the educational mind on the subject of trade.

"The books in this series deal with the industrial and commercial condition of our country. Of the importance of the subject there can be no doubt, for it is the story of the *material* side of the life of a great nation. British agriculture is the most enterprising in the world; British manufactures, both textile and hardware, are famed in all parts of the globe; British ships are on every sea and carry for other nations as well as for ourselves; and Britain, through the Banks and Exchanges of London, is the centre of the money market of the world. It has been well said that *material needs cannot be* neglected or *forgotten* with impunity in this world. Just as a man must have *bread* to eat if he wishes to enjoy life, so a nation needs *material* prosperity if it is to be of real influence in the world.

Industrial and commercial prosperity does not, in itself, constitute greatness, but it is a condition without which national greatness is impossible. Hence the story of the industrial and commercial condition of Britain is *worth* telling to our school children, not only that they may rejoice in our country's progress, but, also, that they may realise the responsibilities borne by the citizens of the first of all nations."

If the above paragraph is read with the necessary tone of condescension implied in the words that we have italicised, it discloses the hopeless and regrettable attitude of those who are shaping our most precious raw material.

To those who desire to follow this question more closely we recommend a perusal of Mr. H. E. Morgan's book, "The Dignity of Business." In that volume Mr. Morgan gives an excellent and interesting description of the educational systems of America, France, and Germany, and shows how greatly superior in their relation to commerce they are to the English plan. There is a great work for a Trade Association to perform in tackling one by one our educational institutions and introducing into each curriculum a regard for the claims of commerce. This can be done in the most elementary forms of education as well as with the more advanced. The mathematical problems set to the young might be based upon transactions

much more nearly related to actual conditions. Going a little higher in the scale, the Trade Associations might have a very great influence upon the present discussion as to the wisdom of teaching Greek. Greek is defended by our educational experts on the ground that it is a good mental exercise, a fine training for the mind. If that is really the chief reason for the retention of Greek in the public school curriculum, surely a much more agile mind would result from a close study of the problem of exchange. If the average boy on leaving school were able to give a clear idea as to the difference between the pound sterling and a golden sovereign—a problem on which the whole of our exchanges depend, and which not one man in ten thousand knows anything about, and not one brain in a thousand can properly grasp—we do not think that the loss of Greek would be to the serious detriment of the country.

Writing on our public schools, a reviewer in the *Westminster Gazette* says: "Then we began to wonder how much longer this ancient school-life, with its devotion to games, its aloofness from the practical life, its mild scholarship, its dislike of utilitarian studies, its devotion to the gentlemanly ideal, can continue unchanged in the world beyond the war. It has served us well in a thousand ways, but large numbers of parents are suddenly waking up to the fact that their sons are not educated,

and asking whether it is really impossible to combine the public school tradition with a training which enables a lad to hold his own in the working world."*

The Trade Associations could engender in the mind of the young an interest in business matters. It might become a regular part of every school programme for the boys to make a monthly visit to some neighbouring manufactory or works. There is a great deal more in the modern factory to fire the imagination of the child than there used to be. The wonders of machinery, the marvels of power, the fascination of organisation, could all be made to interest school children. The boys of ten of the future might conceivably have other ambitions beyond the careers of the policeman, the fireman, the sailor, which at present monopolise their ideas.

When the problems of secondary education in trade schools are reached, then the Trade Associations will be able to exercise a more direct influence. Many of these schools want reforming from top to bottom and putting upon a basis which shall enable them to justify their existence. A programme like that followed by some of the American colleges should be studied, and where advisable imitated. A commercial course including such subjects as the production, manufacture, sale, and

* *Westminster Gazette*, April 15th, 1916.

transportation of articles of commerce; the management of joint-stock companies and corporations, the buying and selling of securities; the importing and exporting of merchandise; the borrowing and lending of money on credit; the advertising of goods and the keeping of business records, should be valuable to every boy who is likely to be called upon to take any part in the management of a business.

There is still another side to the education problem, one that is at present entirely neglected and which can only receive attention under some system of trade organisation. There is an enormous field for education among employees, arranged and conducted and paid for by employers. Anyone who is acquainted with the methods that have been adopted under the Ministry of Munitions to multiply many times our output of ammunition will realise the value of this class of education. A portion of a factory has been turned into a school, so that operators and workers could receive a course of training before actually proceeding to the work they had to do. Only by this method has it been possible to secure the speed and efficiency which were so sadly lacking in the early days of the war, and the absence of which was largely responsible for the shortage of ammunition.

"The greater part of juvenile labour," says Mr. A. P. M. Fleming, "representing the future skilled

workers in industry is at present a wasted national asset, since due to lack of suitable practical training, and especially of education co-ordinating with daily work, its capacity for production is very far from being developed to its utmost . . . Thus far the employer has been passive in the matter, and has looked to the educationalist to deal with the problem. Its real solution can only come from the employer deciding what in his own interests is the best kind of industrial education his juvenile employees can have, and then making his voice heard in demanding that this kind of education be provided. Incidentally, it should be noted that the development of a good workman is the best foundation on which education for citizenship can be based. It should further be noted that while some guidance can be obtained from the careful study of the methods adopted in other industrial countries, the whole problem is a psychological one which we have to solve to suit the characteristics and conditions of our own people."

The Trade Education Committees might be relied upon to give greater prominence to the need for modern languages. Our traders can no longer depend upon the cheap services of German clerks to undertake their foreign correspondence, and if our export business is to expand, a much more general acquaintance with French, Spanish, Italian, and Russian will be essential to us.

This, briefly, is the case for the establishment of a Commercial Education Committee in connection with every Trade Association, for the appointment of a well-paid officer by that Committee, whose life-work will be the directing of educational effort towards trade efficiency, and the establishment of a separate department of the Ministry of Commerce for this purpose.

CHAPTER XIII.

STATISTICS.

We promised the reader at the beginning of this book that nothing should be said about Free Trade and Protection, and no attempt made to debate or influence this great controversy. But in dealing with statistics, and in endeavouring to build up a case for a much greater and more general use of statistical information than at present obtains, it is permissible to point out how much this controversy depends upon reliable data, information, and figures.

A Scotch iron-founder had a conversation with the writer, some years ago, in which he strongly urged a tariff, because, so he said, the Belgians had taken away from him a large trade which he used to enjoy with South America. The Falkirk district used to have quite a number of patterns which they made specially for the Argentine, but at the time of the conversation in question that trade had gone—presumably to the Belgians. By a coincidence, the writer spent the following week at Luton, in Bedfordshire, a district which

at that time was just beginning to feel the benefits of a revival in the iron-foundry trade. To his astonishment, he there discovered several foundries busily engaged on special patterns of goods for the Argentine, and it thus turned out that the "Belgians" were really good British citizens, and that they lived at Luton. This story is given as an illustration of the need for accurate information, a commodity which is all too rare in British business circles.

We have heard a good deal lately about "Key" industries, and the folly of allowing them to get into enemy hands. The Australian Premier, Mr. W. M. Hughes, in one of the many rousing speeches made by him on his recent visit to this country, said: "The task which the people of the Empire had set themselves—the extirpation, root, branch, and seed, of German control and influence in British commerce and industry, was no light one. The influences working in its interests were the more to be feared because they too frequently worked beneath the surface. And the German cancer had eaten into our national body in such a fashion that we could not cut it out without seeming in some cases to cut into the healthy flesh. We must above all see that our industries were not dependent upon the raw materials which our potential or actual enemies controlled. We ought not to commit the criminal error of building up our

industries upon a foundation controlled by the enemy.

"What stupendous folly it was that placed in the hands of Germany the monopoly of tungsten powder, essential for hardening our steel, and the control of the metals which entered into the warp and woof of our industrial life, and which were the drawbridge to national safety."

Mr. Hughes proceeded to give other examples of "Key" industries which had left this country and which in his view must be regained. Without arguing the question of the capture of German Trade, it may fairly be here pointed out that there is considerable difficulty under our present isolation system in discovering what are the "Key" industries which we ought to secure.

The war has discovered for us those which are in the hands of the Germans and Austrians, but we have still to learn of many more that are controlled by various neutrals, notably the United States. The only persons in possession of this information are the members of the trades affected, and even they do not at present know to what extent the danger exists. A particular manufacturer is buying American machine tools, and is perfectly well aware that his shop is dependent upon American supplies, but it would require a war with America for the country to learn how far the whole trade was in the same position. This

one point alone is sufficient to justify legislation to compel every manufacturer to disclose a great deal of information that is now never obtained.

Passing to the broader question of general trade statistics, a very great mass of these are already prepared by various Government departments, which would be infinitely more useful and considerably more correct if they were the subject of special treatment for each trade by its official statistical officer. There is also a very large amount of essential work waiting to be done in the way of collecting, arranging, and comparing trade statistics of other nations, which if properly performed with an eye upon the uses to which each figure would be put, would be of incalculable value to British traders.

Volumes have been written upon the question of weights and measures, and the heavy handicap under which British Trade labours by reason of its adhesion to mediæval methods of calculation. The case will not be complete until organised trade has pronounced upon it, and even if it were complete there is no chance of reform until recognised experts such as the fifty-one Statistical Officers of the Ministry of Commerce, backed by the organised trade of the nation, bring their united influence to work on Parliament.

So much for general considerations which apply to all trades, and which in themselves are sufficient

to warrant the national expenditure suggested upon the appointment of an adequate Trade Statistical Staff. But there are particular trade considerations which outweigh all these in importance and in their possible usefulness for the promotion of efficiency in British Trade.

Every well-conducted business has its expenses analysed into a dozen or more divisions. The most common of these are materials, labour, rent, power, carriage, depreciation, supplies, wages, travelling, advertising, trade expenses, and insurance. There is for every trade an ideal proportion which these items should bear to one another. Most traders are conversant with their own proportions, they know that materials are 35%, labour 40%, advertising 5%, and so on; but not one manufacturer in ten thousand has any idea of the proportions of any other manufacturer, or of the relations between his own figures and the ideal. In the course of a long trading experience, the writer has only come across one case where a definite attempt was made by a number of men in the same trade to compare these proportions. The figures in that case were most instructive, and disclosed numerous weaknesses—information of which every one of the parties to the scheme was prompt to take advantage. In that one trade the item "carriage" varied from 2½% to 15%, and other extraordinary disparities were disclosed.

Apart from costs, there are figures which every business man studies and which might be standardised for the general benefit of a trade. The relation of stock to turnover, turnover to capital, and book debts to turnover are examples. This sort of information comes naturally to the man who has received his education at an American Commercial University, and the clerks in an American factory take the greatest pride in analytical figures and the science of cost. But in this dear old country we enter it in our PRIVATE ledgers, which are always provided with a lock and key, and no one but the principal and his accountant knows that carriage costs 10% and advertising 7½%, and so on. The fact is never mentioned to anybody; it is bad form to compare notes with a friend; and in consequence many an English business is working at excessive cost, and failing to get a footing in neutral markets as a result. There are of course exceptions, unfortunately very few. The Electric Lighting industry is one, and there the explanation is twofold. First of all, it is a modern trade and requires a high standard of education, and the men in it are as a class above the petty jealousies which degrade most English businesses. Secondly, it is very largely owned by the public corporations and municipalities, and, being free from direct competition, it is able to co-operate freely in these matters. Every week the most elaborate statistics are prepared and

published, showing every item of cost and expenditure, and each electrical engineer is continually engaged in endeavouring to show better figures than his friends and rivals. The same remarks apply to Electric Tramways and Municipal Gas undertakings.

The Statistical Bureau of the Iron, Steel, and Allied Trades Federation collects and publishes returns of production which are classified by qualities and by districts, but these figures have rather more bearing upon the question of selling price than upon production costs. Going for a moment a little outside trade, the Insurance Companies give us excellent material to support our argument. The exact *ratio* which every item bears to the whole is set out with the greatest precision, and no insurer would think of placing his business with a company whose working expenses were much above the average. Under our scheme, then, the Minister of Commerce would require the approved Trade Association to appoint a Trade Statistical Officer, at a salary of £500 a year, and to pay half such salary. He would be assisted by a Statistical Committee and would work under the control of the Statistical Under-Secretary of the Ministry. He would become a sort of official accountant for the trade, and would, of course, observe the rules which guide all professional men as to secrecy and confidence, and no information

given to him would be disclosed in such a way as to damage the giver.

The Statistical Committee would devise the ideal system of accounting, costing, and recording for its industry, and every member of the Association would be invited to work on this plan.

The Statistical Officer would collect from week to week such figures as were required for the general good, and from them would compile the official returns. The immense value of this class of work cannot really be overestimated. Each individual trader must benefit from it, while the advantages of levelling up the whole trade to a standard would be truly enormous. It is highly probable that the adoption of this system in most trades would have the effect of a great all-round reduction in costs of manufacture. No maker would be content for long to continue to pay 40% of his expenses for materials when he knows that on the average the whole trade only pays, say, 30%, and that as that figure is the joint product of his own and others, somebody must be more economical still. He will at once proceed to examine his methods and discover their faults and amend them. The only possible result would be a cheapening of cost or, more correctly stated, an elimination of waste which had previously been going on undetected.

The underlying difficulty in the whole of this

statistical work will be the personal peculiarities of the Englishman, together with his love of secrecy and his suspicion of others. It is a difficulty which must be made to disappear, and which cannot be allowed to stand in the way of this country's commercial progress. A beginning has already been made, and the finishing processes should not be difficult under the spur of Government control. The development of the Limited Liability Company has done much to remove this stupid barrier to progress. In quite a number of trades, such as Shipping, Rubber, and Motors, we find one man a director of a number of companies. This link makes the information in question the common property of all the companies concerned, and much benefit has accrued to these industries in consequence. A Stockbroker is bound to mark every bargain made, for the information of the public, and the same procedure is followed on most Exchanges. The broker who thus discloses his business is the gainer, because in exchange for the little bit of information which he gives, he receives a great mass of information from the whole of the rest of the market. The same process must be applied to all business before we can pretend to have our trade on a sound and scientific basis, able and ready to meet organised foreign competition. Reverting for a moment to the tariff question, there is just this danger in the present lack of

cohesion and method. A particular trade may be suffering heavily from outside competition, and may fly to a tariff as the remedy. But on such an examination of facts as will follow from the work of the Statistical Officer and the Committee appointed for the purpose, it may transpire that the trade in question is really suffering from thoroughly bad management. To put the matter in another way, surely it is not unreasonable or unbusiness-like to insist that before granting protection to any industry, it shall be required to show that it is well and economically managed, and that the protection asked for is not merely wanted to bolster up antiquated methods and to deprive the public of the benefits of the better organisation of the foreigner. In the Model Trade Association, which has already been described, it is contemplated that one committee and one officer would be able to deal with the three questions of Statistics, Banking, and Credit. We shall study the Banking and Credit side of these duties in another chapter; they are really quite separate and distinct from the above, and in any large organisation would require a separate staff.

CHAPTER XIV.

LABOUR.

"If the nation is ready when the last gun is fired," says Mr. Edgcumbe Brighten in the *Daily Telegraph*, "there is no reason why the trade of the Empire should not reach a greater volume than was ever before thought possible. One of the most important questions of the moment is the relationship of Labour to the annexation of enemy trade, and it is with all sincerity that I urge associations (or, failing them, employers) to explain to Labour what it will mean to this country if the nation goes forward as one man to retrieve our commercial pre-eminence at the cessation of hostilities. It is beyond doubt that the Labour leaders, trade unions, and workmen themselves, will, if the question of working to capacity is properly explained, come forward and do their part. The greater part of the Labour troubles in the past were in the main due to lack of understanding between master and man. There is no possibility of co-operation or collaboration between Labour and Capital if each looks upon the other as

a rogue and a thief, and I again repeat that if the question of the trade war and the annexation of enemy trade be properly explained to the workers they will help to the best of their power."

Labour is organised and easily dealt with. An army of Labour leaders is ready and willing to explain to the workers any genuine proposition for the general good. After the experiences of the war no one can doubt this to be the case. Labour has been forced into an attitude of antagonism to Capital largely by the lack of sense on the part of the Capitalist classes. It is the exception to find an employer who regards his work-people as in any sense co-partners in a commercial enterprise; five minutes at any dinner-table is sufficient to bring out some sneer about the working-man. There is no intention here to justify the absurdity of many of the actions of the Trades Unions, but these actions are to some extent the outcome of misguided methods on the other side. One hears to-day people, who ought to know better, talking as if some great crime had been committed because some workman has earned £8, £9, or £10 a week on munition work. There would seem to be something horrible in the idea of a manual labourer handling so much money. The fact that an occasional Managing Director can secure £10,000 a year causes no feelings of alarm to the same worthy folk.

The whole situation wants revising, and the first thing to revise is the point of view of the employer. He must be made to see that high wages mean good trade, that the more money the population has to spend the better the home market for his goods, and that there is no divine ordinance which prescribes that the limit of money for any particular social class is so many shillings a week.

In the course of making munitions of war a great many foreigners skilled in various branches of engineering work were introduced into this country. The writer had personal experience of five of these men who came from America, in order to do the skilled work that kept a large number of women employed on the making of ammunition. There were many Englishmen engaged on the same type of work in various factories, and their wages varied from £2 to £7 per week, but the five Americans in question earned from £12 to £15 per week per man. The manufacturer who employed them was extremely proud of the fact that the *unit* cost of the article he was making was a penny less than that in any other similar establishment.

This illustrates the first truth that the English employer of the future has got to learn, namely, that the cost of the *article* and not of the *man* is the only thing that matters.

It is hard to blame the average employer for his error in the point of view he generally takes as

to labour. He is an individual against an organised and powerful body, and that is a position which does not engender clear thinking. The attitude of Labour towards Capital is equally intolerable, but when it is examined it also arises from ignorance.

At one of their recent conferences the new Design and Industries Association invited a number of Labour representatives to discuss with them the question of Art in Commerce. Several speakers gave most interesting addresses to show how goods could be made more marketable, more generally acceptable, and in some cases cheaper, by a little preliminary attention to design. Then it came to the turn of Labour to express its opinion, and the first of its spokesmen made only one point; his whole speech could be summed up in a question which he asked, "Does it mean another penny an hour?"

The question before the country is OUTPUT. There is only one way to pay for the war—to make goods and sell them, and this cannot be done without labour. Surely there is work for a strong committee in every trade to tackle the problem as business men, and win and hold the co-operation of Labour. The labourers are interested in the general problem to as great if not a greater extent than Capital. Capital can, after all is said and done, live for a time without Labour, but the

reverse does not apply. The industrial workers as a class are as dependent upon the extension of our trade as any other class. If some of the ingenuity which is now put into the selling of goods, skill of the highest order which will often force useless stuff upon an unwilling public, were devoted to the more useful work of the education of labouring opinion, much industrial strife would be averted.

At the present time Labour pays the salaries of a body of Trades Union officials in order to have its own opinions formulated for it. Surely it would pay Capital to put down a small annual sum to provide a body of Labour educators, men whose duty it would be to represent employers in the Councils of Labour and to discuss beforehand the weak spots, and endeavour to mend them. The working-man is particularly well informed of any big profits that are made, and his leaders take care to point out to him the great sums that are annually distributed by way of dividends by some of the big Corporations. The spread of the system of joint stock trading has caused far too much publicity to be given to big figures, and the thirty shilling workman reads morning by morning of hundreds of thousands here and half millions there. He never hears of any of the troubles of Capital, the losses are carefully hidden—the company promoter takes care of that—the anxieties of the small capitalist

are unknown to him, and he goes on brooding over other people's millions and his own thirty shillings.

The opinions of Labour come right in time, but too long is occupied in the process, and it should be the work of Trade Associations to accelerate it. Most of us can remember the fierce struggles which Labour made against the introduction of labour-saving machinery. For want of a little helpful education from the other side Labour succeeded in holding the clock back in a great many trades. When type-setting machinery was introduced to printing, shop after shop went on strike and grave difficulties were created. Labour imagined that it would be displaced, and very naturally rebelled. But type-setting machinery has so cheapened printing as to multiply the demand many times over, and there are to-day more printers than ever. This is but one example of the damage which is done by leaving Labour to form its own opinion.

The old-fashioned employer regards the Union as a curse, while as a matter of fact, if he only understood how to handle it, it might well be of the greatest advantage in the development of trade.

The organisation of trade, as is here suggested, the better study of methods, the elimination of waste, the reduction of selling costs and the improvement in manufacturing methods, should tend

to considerably reduce prices, and as the whole-hearted co-operation of labour is necessary to this end, it is not unreasonable to suggest that labour should receive a portion of the saving effected. Assume that the labour cost of a job under pre-war conditions is a shilling. Nobody will deny that if the same job were tackled under "munitions" conditions twice as much would be produced in the same time. The labourer who earned a shilling in an hour under Trade Union rules can earn double the money when he makes no effort to restrict his output. He has feared to do this in the past because of the stupid idea that a shilling an hour was the proper wage for a man of his class, and if he doubled his output the price of the job would be halved and he would be no better off. The master overlooks the fact that his expenses in connection with the job are not confined to labour, they probably work out something like this:

	s.	d.
Labour	1	0
Materials	1	0
Machinery, rent, and other fixed costs ..	1	0
	3	0

and he forgets that if labour doubled its output and received double the pay the same sum would work out in this fashion:

	s.	d.
Labour	2	0
Materials	2	0
Machinery, rent, and other fixed costs ..	1	0
2)	5	0
	2	6

Here is a case where labour earns twice the money and the finished job costs nearly 20% less in consequence. But it will be argued that in this case some one workman has done another out of a job. This is a consideration which does not apply if we assume, as we have here done all along, that output is the all-important item. We have all through our arguments ignored the century-old theories of gluts and overproduction, theories which have almost ceased to have a practical application in face of the present needs of the world and the remarkable facilities for transport and marketing.

It is also arguable that if every working man's wages were doubled the size of the home market would be multiplied by two. Here again learned economists will probably point to some fundamental fallacy and contend that any such procedure would increase costs and we should be told again about the vicious circle. But these old theories are based upon the assumption that wages would be

increased for the *same* work, while the present discussion is only concerned with increasing the output, and wages would only be raised on condition that the work, and therefore the production, was increased, a bargain which would *lower* prices.

"The opposition between employer's interest and worker's interest is wrongly conceived if it is thought of as simply a difference about wages. It is to the employer's interest to beat down wages, only if the labour to be got from each worker is a fixed amount; if an increase in wages will stimulate the worker to increased exertion and enable him to do better work, then it may pay the employer to raise wages, for by so doing he will be getting his labour as cheaply. Similarly, the worker can get the higher wages, which are his object, without increasing labour cost to his employer if he increases his efficiency; it is of course to his interest that the value of labour should be as high as possible, but wages can be increased by increasing the amount of labour given for them without any change in the value or cost of labour. A Lancashire manager once came to manage a Yorkshire weaving establishment. Meeting an acquaintance soon afterwards, he said: 'I can't understand how you Yorkshire employers can get your labour for the wages you pay.' After three months' experience of the 'cheap' labour, he met the same acquaintance with a different tale: 'I can't understand,' he said,

'how you Yorkshire manufacturers can pay the wages you do for the labour you get.' " *

The Labour Officer and the Labour Committee of each Trade Association would be specially charged with the duty of studying the problems of co-partnership and profit sharing, although past experience in these directions has not led to any general belief in their efficacy. Every form of relation between employer and employed would be reviewed by these officers. Statistics and reports would be produced to show the effect of the numerous experiments that are always in progress in various individual works in connection with the "care" of the workers. A great deal of work connected with their health and well-being is now performed by various Government departments, notably the Home Office, and employers know to their cost the inconvenience and expense which often arises from ill-considered or ill-advised trade regulations. Under our present unorganised system, the Government has to act without the assistance of the traders, but under a system of official Trade Association these matters would be the subject of consultation and adjustment. There is a tremendous agenda waiting for the Labour Committees of the Trade Associations in connection with the problems of work and health, efficiency and fatigue, and similar questions which should be

* "Economics for the General Reader," Henry Clay, M.A.

studied from the special view point of every individual trade. If a nation embarks upon a wise and far-seeing scheme of education, and regulates industry in order to safeguard the health of the workpeople, while a neighbouring nation neglects these fundamentals, the latter must, just as night follows the day, eventually succumb to the former because its individual citizens are physically weaker and mentally less able. The business man who sows muddle and inefficiency reaps bankruptcy in his affairs; so with a factory system which, while producing enormous quantities of goods which can be sold at remunerative prices, is slowly, but nevertheless surely, undermining the vitality of the workpeople engaged. Physical deterioration will take place, and in two or three generations the physical standard will have been definitely reduced. If the standard of health and capacity is lowered, the production of commodities must also suffer accordingly. Here it should be understood that we are not considering this matter ethically, but economically, although it may be pointed out in passing that the right thing ethically is the right thing from what we may call the common-sense point of view. Equally instructive is the relation of accidents and fatigue. It is the experience of all countries that accidents increase with hours of work, and that fatigue is largely responsible for them. A tired workman can no longer put forth

his usual effort, nor execute movements as rapidly. Accidents take place in largest number towards the end of the forenoon, and again just before, but not quite in, the last hour of work of the afternoon. It was Germany which first introduced notification of accidents and of the period of the day at which they occurred. Poor illumination of factories tends to reduce both the quality of work and the output. It neither pays the employer nor employed.

We do not as a nation, and as traders, fully realise the vital importance of finding a remedy for the industrial unrest which exists in all trades, and unless associations take the matter in hand the position may become past hope. A recurrence of such upheavals as those of 1911 and 1912 has only to occur once or twice to put an end for all time to British trade as that term is now understood.

CHAPTER XV.

EXHIBITIONS AND ADVERTISING.

One of the very few pieces of constructive commercial work at present performed by the Board of Trade is in connection with exhibitions. The Exhibitions Branch, founded within the last few years under the direction of Mr. U. F. Wintour, has performed quite a deal of really useful propaganda work on behalf of British trade. Incidentally the Exhibitions Branch has been a source of encouragement to the Association Movement, because Mr. Wintour very quickly found that the most effective exhibits which he could place before foreign buyers were those which were the outcome of co-operative action on the part of manufacturers. In connection with Pottery, Bradford goods, Books, Motors, and other lines, the Exhibitions Branch has exercised a very stimulating influence upon the Trade Association Movement. The establishment of this office was the first official recognition of the necessity for some collective action on the part of British trade. British Representation at

the great International Exhibitions of the past has relied upon the individual efforts of manufacturers, sometimes backed by a special commission appointed for the purpose. Until, however, this office come into being there was no regular organisation charged with the duty of upholding the honour of Great Britain at these great international fairs.

In recent years an official British Section has made its appearance at the Centenario Exposition at Buenos Aires, at Brussels, at Ghent, at Turin, and at Rome.

The new Ministry of Commerce will certainly have to take over the Exhibitions Branch of the Board of Trade, and will find the lines already laid upon which a great deal more similar work can be done. The new department would not confine its attention to Exhibitions, and its title should include the word Advertising in order to give an adequate idea of the work that it would have to perform.

The basis upon which the Government approach the question of future International Exhibitions is capable of alteration for the better. The following brief record of what happened at Brussels and Turin will show the weakness of the present arrangements. For the purposes of these Exhibitions, Parliament voted an expenditure of £192,000. Having received this none too adequate sum, the

Exhibitions Branch proceeded to adopt the usual methods of the ordinary exhibition promoter. Except in very few cases it had no Trade Associations whose help could be secured, and it was therefore driven back upon the problem of tackling British traders one by one and dealing with each person's peculiarities and prejudices. The plan adopted was to appoint a number of representatives or travellers who proceeded to let space to such trading houses as cared to participate in the scheme. The space was rented at a moderate fee per foot, and in this way a revenue of £10,614 was secured from Brussels, and in the case of Turin a similar figure.

But the plan of approaching each individual business house on ordinary commercial lines failed hopelessly to secure adequate representation for British trade. In many trades the best firms were too busy to exhibit or were not attracted by the terms offered, and thus it came about that some of our leading industries were represented by second and third class houses, and no idea was given to the foreign buyer of the real state of British efficiency in these trades.

The Exhibitions Department of the Ministry of Commerce will, it is hoped, work upon a different plan. Having secured the large sum which in any case is necessary from the Government, it will then allot adequate space to each trade free of any

charge, and working through the Trade Association, will put upon each trade the task of honourably representing the nation. The result would be an addition of 10% to the national expenses, but a very considerable addition to the tone and standing of the national exhibits. On this plan, traders showing at Turin and Brussels would have saved £20,000, but that is a very small portion of the expense involved in exhibiting. This money simply represented the rent paid for space, and anyone who has undertaken a trade exhibit knows that the rent charge is the smallest of the expenses involved.

But the work of the Exhibitions and Advertising Department of the Ministry of Commerce would extend far beyond those infrequent occasions when great International Exhibitions are arranged. This Department would have to co-operate with the Export Department and the Export Committees of the various Trade Associations in arranging the permanent exhibits of British productions which have been suggested in the chapter upon Export Trade.

Coming to the much larger question of general trade advertising, a study of this problem will show the need for systematic attention to the foreign Press. A Government organisation which was in continual touch with the Press of foreign countries would, by the way, be of considerable

use in the unhappy event of any future wars, and the connection thus established would be invaluable in the work of looking after neutral opinion.

The Minister of Commerce himself will, of course, be the chief advertising agent of the nation, and for that reason it is important that he should be a person of very considerable standing as an orator and as a statesman. But he would require to be backed up with a definite press campaign, not only concerned with regular displayed advertising, but with the guiding of editorial policy abroad. There is a considerable amount of educational work to be done in foreign markets for the benefit of British producers. If one may believe the wonderful stories, that are so constantly repeated, of German organisation, these people are lavish in their subsidies to the foreign Press, and in many cases have gone the length of buying either the whole or part of the proprietary interests in important organs in America and elsewhere.

Another field for activity of a similar kind would be in connection with the educational systems in operation in foreign countries. There are, for instance, innumerable trade schools at work all over the world, and one of the finest investments that British trade could make would be to see that everyone of these schools was equipped with British tools. If this could be done, regardless of the expense involved, it would lay the foundation

for a trade in British tools which no competition could shake.

The use of ordinary displayed advertising is one of the simplest duties that would fall to this branch of the Trade Associations. There is ample precedent for a Government advertising. Since August, 1914, our own Government has spent money lavishly in order to secure recruits, subscriptions to war loans, national economy, and other objects. But there are many other instances of publicity in foreign journals paid for by Government. The suggestion here is that the Trade Associations should be the responsible parties in the matter, and it is not necessary that the Treasury should find more than a portion of the money. But it may well be argued that if a great national industry produced a proper scheme for world-wide publicity and the bulk of the money to carry that scheme through, a Government subsidy might be granted on the ground that such a scheme was obviously in the national interest. In his pamphlet, "A Going Concern," Mr. H. W. Clockler gives the following account of a well-known instance of State advertising:

"Certain countries have for years past provided material assistance to their Producers and Exporters by the employment of State Publicity, but we do not appear to have given it such serious consideration. Although the exact mode of procedure has

been specially adapted to both the country and the produce concerned, the principle is one that we ourselves could apply with invariably good results. The writer has knowledge of many campaigns that have been instigated and successfully carried out for the purpose of increasing a demand in this country for foreign products. Of these cases, one may be instanced to illustrate the far-reaching effect and ultimate advantages of such a scheme of State Publicity.

"At the end of 1905 and during the years that followed, the people of Great Britain heard and read a great deal about the food value of Dried Currants. Booklets that bore no indication of a definite source, nor even purpose, were distributed in millions to householders where they could be seen by possible consumers. This literature set out in attractive form the undeniable dietetic value of currants, and quoted the opinion of leading medical authorities, urging their use in every conceivable form. Currant Bread became popular, and new recipes in which currants played an important part were published in the Press all over the kingdom. Educational work was carried on with the result that Cookery Classes and Competitions were held; exhibitions and displays were organised—all to increase this country's consumption of currants. Grocery trade papers contained announcements acquainting the retailer with the

fact that the currant boom was in progress, and, in addition, every grocer was the recipient of a letter asking for co-operation in the distribution of the recipe booklet referred to and pointing out that increased demand would result in increased sales and increased profit to himself. This campaign was so well handled by a firm of advertising experts in London that its success was simply a matter of time. In due course the evidence in favour of currants, so broadly disseminated, had a cumulative effect that can best be judged from the official records of imports. This campaign was originated by the Greek Government in order to find a greater outlet for their chief industry, the cultivation of currants. It became necessary, because the demand did not keep pace with the supply, and every year some thousands of tons of the fruit were retained in Greece instead of being exported to other countries. As a large proportion of the world's currants are grown in Greece, the financial resources of that country were beginning to suffer, so it was eventually decided by the Government to launch this gigantic scheme of National Publicity, and so create a greater call for the dried fruit in which they specialise."

Other examples of State advertising can be found among the South American Republics, who regularly use the financial Press of other countries in order to secure the success of their loan opera-

tions. Our own Colonies advertise extensively for emigrants, and there is surely no reason why Great Britain should not advertise for trade.

Municipal advertising has grown in recent years, especially the advertising of health resorts, and if Scarborough can advertise for visitors, surely the English Boot Trade might take in hand the education of the foreign buyer by similar methods.

It is not for one moment suggested that this national trade advertising would take the place of the very necessary publicity work that must be undertaken by each individual producer. Indeed, the probability is that, with a lead from the State, the individual manufacturer would be encouraged to do far more in this way than he does at present.

CHAPTER XVI.

BANKING CREDIT AND CAPITAL.

GREAT BRITAIN is the home of finance, London is the world's money market, and the bill on London is the currency of international trade. Our banking system is the safest and consequently the best in the world; yet one never ceases to hear carping and criticism backed by wonderful tales of the superiority of some foreign method.

But, in this as in many other matters connected with trade, there seems to be a minimum of effort to understand the real points of the problem. On the one hand we have capital anxiously seeking profitable investment, and on the other good business schemes abandoned for lack of financial support, and yet there appears to be no easy way of bringing these two needs together so that they may satisfy one another. Unless we are prepared to sacrifice our great financial position in the world, it is folly to contemplate a more speculative attitude on the part of our banks. One of the functions of the trader is the taking of risks, and he should not

be found suggesting that the bankers should usurp his position in this matter. The average English business man saves a little money and invests it, and ninety times out of a hundred he invests outside his own trade. A portion of this invested money is always lost, because the printer is no judge of a soap scheme, or the clothing manufacturer of an aeroplane prospectus. The printer and the clothing man cannot invest in their own trade if they want to; they never get the offer. This remarkable situation gives his opportunity to the company promoter and the swindler. When the Association spirit is more highly developed, and the traders of the country have acquired the habit of working in conjunction with one another, the man who wants to extend and needs capital will easily find it among his fellow-traders.

Much trade is lost to the nation on account of the financial limitations of individual manufacturers. The case is common of the comparatively small would-be exporter whose capital is locked up in plant and materials, and who has to decline openings that offer. Although equipped in every other way, and possessing the necessary enterprise and experience, this manufacturer is debarred from accepting an order because he has not sufficient ready capital to increase his output or to give the necessary credit. The contract which is thus passed over and left to go abroad, has a very

definite value to the trade and to the nation, and the suggested Credit and Capital Committee of the Trade Association would be able to prevent this loss.

But the work of the Banking Credit and Capital Committee of the Model Trade Association would not by any means be confined to the simple transactions which it might facilitate between members themselves; there is a field of much more importance for its activities.

Finance is a very big and often a first consideration with the individual; unaided and alone, each one of us has his exact limit in such matters as credit and capital. But great strength in this department comes from combination and co-operation, and to a well-organised trade these questions would not be allowed to interfere with progress.

There is little doubt that most of the financial strength of German trade has been secured by co-operation, and the credits given to foreign buyers have been arranged by the same means.

The only market to which a trader with a new scheme can now go is the money market, represented by the company promoter, and if his scheme is accepted, the trader takes second place. The experiences of the Cycle Trade fifteen years ago are fresh in the memory of most readers. If at that time the Cycle Trade had possessed an official

Trade Association, with a competent Banking and Capital Committee, the public would have saved a good deal of money, and the trade would have avoided numerous reconstructions and large annual sums in interest on watered capital.

Every day of the week there are to be found in London the agents of foreign States engaged in negotiations as to loans, and these gentlemen should be introduced to the Banking and Credit Department of the Ministry of Commerce, and in turn to the various trade secretaries, so as to ensure that money raised in this country is also spent here. This is an art which is thoroughly well understood by our shipbuilders and our armament firms, and there is, surely, no reason why it should not be studied by other trades.

If Roumania wants a few millions, in order to develop its agriculture, it is surely not unreasonable to insist that the development shall take place with English and not German implements.

In discussing export trade we have seen how British finance is used to help German business. "The German merchant draws a bill, which his bank discounts; the bill goes to the London money market, where, bearing as it does the endorsement of a German bank, it is sold as good paper. Thus it happens that the great London financial institutions, whilst looking askance at the commercial methods of those in Germany, provide

the funds wherewith, in large measure, German industry is so generously supplied. The branches of German banks in London appear to be established solely for the purpose of facilitating transactions of this nature, and thus extending the practice of borrowing British capital to further German commerce."*

Trade Associations could, by a study of this problem, see to it that this sort of thing was only permitted when capitalists were unable to find an equally profitable outlet for their money in connection with British trade. In connection with Banking Credit and Capital, the problems of credit to foreigners would have to be considered, and it is possible that to this Committee would fall a large part of the work connected with the Export Companies or Trusts that have been suggested.

Within the lifetime of the present generation there has been an enormous extension of the principle of limited liability and joint-stock enterprise. Associated developments along these lines on a much bigger scale may be found to be the solution of many of our export problems.

Volumes have been written about trade, and indeed about each of the aspects of it, which we have briefly mentioned in the foregoing pages. Volumes will continue to appear on these subjects, and will

* Report of the Anglo-Russian Trade Relations Committee of the London Chamber of Commerce.

be necessary if our trade is to continue to keep pace with the development of mankind and civilisation. My earnest hope is that as new discussion arises those who take part in it will be definite, and put forward tangible and concrete schemes rather than continue the present practice of destructive criticism without prescriptive suggestion.

The attempt has been made in this book to place before business men a carefully prepared and finished plan with complete specifications, and indeed a bill of quantities. I conclude, as I began, by insisting that though a complete scheme has been submitted, its details are admittedly only tentative, and doubtless open to much amendment; I am not concerned that my precise suggestions, as such, should materialise, if better can be devised. I claim only to be a pioneer, but I am sure that the main points insisted on are true and vital to the future prosperity, if not the very existence, of our trade. This little book will have done its work if its main contentions are adequately taken to heart, and a sincere vigorous and prompt attempt is made to embody them in action. But prompt it must be, for time is an essential element, here, in success.

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